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ML Strategies FY2015 Massachusetts Budget Update: Conference Committee Budget

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SERVICE AREAS

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On June 30th, the eve of the Commonwealth's new fiscal year, the House and Senate both approved the joint conference committee report on the FY2015 spending plan. Governor Deval Patrick, who left to attend the Panamanian President-elect's inauguration the day the legislature approved the budget, has indicated that he is mostly pleased with what he has seen of the bill so far. However, he did note in a recent interview that budget reforms for the Department of Children and Families did not go as far as he would have liked. The spending plan is now with the Governor, who has until July 11, 2014 to review it. In the meantime, the state is relying on a $4.6 billion interim budget to keep the government running through July.

Earlier this year, ML Strategies offered an **overview of the Governor's** and the **House of Representatives' FY 2015 budget**, and we will continue to monitor developments as the Governor moves to finalize this fiscal year's budget.

Conference Committee Budget

On Sunday June 29, 2014, House and Senate leaders reached a compromise on a $36.5 billion state budget, and the following day the House and Senate both ratified the agreement (H4242). Highlights from the budget, which is now awaiting the Governor's review, include:

Health and Human Services

- Increased funding for disproportionate share hospitals by $34 million more than proposed in the Governor's FY2015 budget proposal, including $12.3 million in behavioral health funding, and a 5% inpatient adjustment and 5% outpatient adjustment in FY2015 based on FY2013 MassHealth payments
- An $18 million increase in funding for substance abuse prevention education and treatment programs, including $10 million for a new trust fund that would reportedly provide services for 10,000 residents addicted to drugs
- $186 million for the Department of Children and Families to fund social workers, to help achieve a 15-1 caseworker-caseload ratio
- $65 million for the rental voucher program, with plans to forward unused funds at the end of the fiscal year to needy families and individuals

Education

- $15 million in new spending to reduce early education waitlists for low-income families
- $257.5 million for the special education circuit breaker for three years, to achieve full funding of the program
- $70.3 million for regional school transportation, to achieve a 90% reimbursement rate for cities and towns
- $519 million for the University of Massachusetts, which would enable the university to freeze tuition and fees for the second consecutive year
- A $21 million increase in funding for state universities and community colleges
- $150,000 for competitive grants to schools to fund pilot programs that educate students about healthy relationships and teen dating violence

Local Aid

- A $25 million increase in Unrestricted General Government Aid, which was agreed to by the legislature in March, for a total of $945.8 million, which is the largest figure since 2009

Policy Initiatives

- The creation of a Massachusetts Office of Information Technology to supervise all IT services of state agencies
- The creation of a new behavioral health task force to make recommendations for developing emergency department and behavioral health reporting, and a task force to identify the existing structural or policy-based impediments to delivering comprehensive and cost-effective behavioral and mental health treatment in the Commonwealth
- A provision that permits the state to suspend rather than terminate Medicaid coverage for inmates in jails and prisons — enabling Medicaid to pay for some inmate bills — and immediately reinstates inmate health coverage upon release from incarceration
- An initiative to allow direct shipments of up to 12 cases of wine a year from out-of-state vineyards to Massachusetts wine drinkers

The conferees rejected the Senate bid to expand the state's bottle redemption law, and so a bottle bill question will likely appear on November's ballot. The committee threw out a House amendment that would have struck down a provision eliminating the sunset date in co-pay assistance, and denied a measure, supported by Boston Mayor Martin Walsh, to allow Boston-area bars and restaurants to stay open until 4 a.m.

Funding Sources

The FY2015 budget that emerged from the conference committee relied on a 5.5% revenue growth estimate, as opposed to the 4.9% estimate agreed upon by lawmakers last December, meaning that the legislature's budget numbers exceed the Governor's proposal by $100 million. The legislature accounted for the difference, in part, by relying on $35 million from a tax amnesty program, additional one-time tax settlements, and Medicaid and Group Insurance Commission revenues from new communities joining the state-administered health insurance program.

The budget also relies on $140 million in "rainy day" fund reserves, the lowest draw in four years. The proposed budget boosts state contributions by $163 million to speed the process of covering the state's unfunded pension liability, which sets Massachusetts on course to have the fourth largest stabilization fund in the country, behind the oil-producing states of Alaska, Texas, and Ohio.

Both the House and Senate budgets relied on $73 million in gaming revenues, including $53 million from casino licenses and $20 million in slot revenue. However, with the Supreme Judicial Court's decision to allow a ballot question repealing casino gaming, these funds may not materialize. Senator Stephen Brewer, Chairman of the Senate Ways and Means Committee, asserted that the budget was conservative in case expected revenues do not materialize based on the ballot in November. However, a number of Republican legislators expressed concern that the budget relied upon the uncertain gaming funds.

Vetoes

Due to the length of the joint conference committee's deliberations, there was no annual spending plan in place to greet the start of this fiscal year. However, as previously noted, the government will be funded through July by the interim budget passed in the second half of June.

Now that the FY2015 budget is on the Governor's desk, he has 10 days to review and approve the bill, or make vetoes or reductions. The Governor has line-item veto power within individual appropriations, which means that he may strike portions of language within specific items, in addition to reducing or eliminating funding. Outside sections — policy initiatives with a fiscal impact — appear at the end of the document. The Governor may approve outside sections, strike a section in its entirety, or return the section with an amendment.

The House and Senate may vote to override the Governor's vetoes. Overrides require a two-thirds majority in each chamber, and must be completed by the conclusion of the formal sessions on July 31.

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