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FY2016 Massachusetts Budget Update: The House Budget

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On April 29 the Massachusetts House of Representatives approved a $38.1 billion spending plan for FY2016 by a unanimous vote of 158-0. Over roughly 28 hours of sessions, the House dispensed with over 1,000 amendments to pass a final budget that spends $10 million less than **Governor Baker's spending plan**, but closely resembles it in many regards.

In recognition of the Commonwealth's recent budget shortfalls, the House budget would only increase spending by 2.8 percent, a smaller rise than in recent years. Like the Governor, the House aims to reel in health care costs, and refrains from raising taxes or fees. However, the Democratic House departed from Republican Governor Baker's budget in the area of early education, giving an additional $15 million for early education programs.

The House deliberations were largely free of disagreement. Per their usual custom, the House bundled proposed changes and passed consolidated amendments, tacking on around $94 million in spending to the $38 billion budget developed by the House Ways and Means Committee and its Chairman, Representative Brian Dempsey. These added funds include $18.9 million for health and human services, $14.6 million for education and local aid, $13.8 million for labor and economic development, $10.6 million for public safety and the judiciary, $7.3 million for public health, $4.8 million for energy and environmental affairs, and $3 million for transportation.

The House budget plan makes targeted new investments in education, workforce development, and substance abuse prevention programs without raising taxes or fees. It notably provides for reforms of the MBTA and draws substantial savings from MassHealth. We have outlined the budget's highlights below.

Transportation

- With the intense focus on the MBTA's winter performance and management, the House budget allocates $500,000 to fund two new audits of the transit agency's maintenance protocols and finances, including the liabilities of its pension funds.
- The House proposal also suspends for five years the application at the MBTA of the Pacheco Law, which places conditions on the ability of state agencies to contract with private vendors to provide government services. The suspension of the Pacheco Law is intended to allow the MBTA to deal with its maintenance backlog issues.
- The House budget proposal increases overall state support for the MBTA and MassDOT.

Health Care

- The House budget is balanced in part on savings within the $15.3 billion Medicaid Budget. It draws more than $700 million in savings from MassHealth largely by pushing expenses into the future. The plan counts savings through an eligibility redetermination process and cash management solutions that defer payments until FY2017.
- Of particular note for hospitals, the House approved an amendment transferring $25.4 million from the Distressed Hospital Fund to support the partial restoration of DSH supplemental payments and DSTI increases.
- The House also approved an amendment to create a commission within the Executive Office of Health and Human Services to examine issues affecting older LGBT adults.

Public Health & Human Services

- In response to the Commonwealth's opioid addiction problem, the House budget provides funds targeted at substance abuse prevention and treatment.
- The proposed budget funds new adult community mental health services, restores the funding for families for child and adolescent mental health services cut from Governor Baker's budget, and maintains financial support for inpatient mental health beds.
- The House proposal adopts the Governor's call for a homelessness prevention fund for services that intervene before a family requires shelter.

Education & Local Aid

- The House budget boosts unrestricted local aid to nearly $980 million, the highest funding level since FY2009.

- The House proposal recommends increasing local education aid, or Chapter 70 aid, by $108.2 million, reportedly the highest level of support in state history and $2.9 million more than Governor Baker's budget proposal requests. Under this funding level, local school aid per student would increase by $25.
- The House budget increases funding for regional school transportation, special education, and child care vouchers to move children off the waitlist for early education programs.
- The House also increases total funding for the Commonwealth's community colleges, state universities, and the University of Massachusetts.
- The adopted education and local aid amendment allocates $500,000 to implement a statewide college and career readiness program and $150,000 to provide basic workforce and skills training, employment services, and job re-entry support for older workers.

Judiciary

- The House plan allocates funding for a salary increase for Assistant District Attorneys and Public Defenders.
- The budget doubles the state's witness protection fund to $188,490.
- In an attempt to avoid layoffs, House lawmakers increased the fund for the Trial Court over Governor Baker's proposal, which had drawn criticism from top court officials.

Elections

- The House budget sets spending for elections at $7.1 million, which is $1.4 million above Governor Baker's proposal of $5.7 million. Secretary of State William Galvin accused the Governor's proposal of drastically underfunding the elections budget.

Funding Sources

- As promised by House Speaker Robert DeLeo, the House budget includes no new taxes or fees.
- For the first time since FY2007, the House does not propose drawing from the state's rainy day fund. The House plan relies on one-time fees to help balance the budget, including capital gains tax revenues that would normally land in the rainy day fund.
- The budget also includes new revenue from the Penn National Gaming slot machine parlor in Plainville, Massachusetts that will open later this summer.

Next Steps

The Senate budget, the first authored by new Senate Ways and Means Chairwoman Karen Spilka, will be released the week of May 11, 2015 and debated the following week. Then a six member conference committee will meet to resolve the differences between the final House and Senate versions of the budget. The budget then goes back to each branch and finally goes to the Governor's desk.

ML Strategies will continue to monitor the budget process as we approach the start of the new fiscal year on July 1, and lawmakers further develop their spending plan for FY2016.

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