



May 25, 2018

### Senate Budget Debate Analysis

The Senate has concluded its FY 2019 budget debate. Over three days, the Senate considered 1,196 amendments, adding \$75.5 million in new spending and 125 policy sections to the original Senate Ways and Means (SWM) proposal. The final Senate budget includes \$46.02 billion in total spending, \$21.6 million less than the final House budget. The House and Senate spending plans will now be reconciled through a conference committee over the next month.

Figure 1. FY 2019 Budget Spending Comparison

	Spending Comparison					
	FY 2018 Current	GOV	House	SWM	Senate Floor	Senate
<b>Line item spending</b>	\$40,572.7	\$41,357.0	\$41,515.2	\$41,418.1	\$75.5	\$41,493.6
<b>Off Budget</b>	\$4,273.2	\$4,526.9	\$4,526.9	\$4,526.9	\$0.0	\$4,526.9
<b>Total spending</b>	<b>\$44,845.9</b>	<b>\$45,883.9</b>	<b>\$46,042.1</b>	<b>\$45,945.0</b>	<b>\$75.5</b>	<b>\$46,020.5</b>

### Spending Added During Debate

The Senate budget added \$75.5 million in funding across 113 different line-items. This amount reflects only line-item increases adopted by amendment; it does not incorporate added costs or foregone revenue related to new policy sections discussed later in this brief. The Senate, like the House, organizes amendments by policy area. Figure 2. summarizes spending added through amendment for each category.

Figure 2. Senate Amendment Spending by Category

Category	Total Spending	Non Earmark	Earmark \$	Earmark #
Other spending	\$464,000	\$464,000	\$0	\$0
Local assistance	\$2,118,151	\$40,000	\$2,078,151	\$48
Education	\$20,791,210	\$16,011,210	\$4,780,000	\$47
General government	\$3,210,733	\$320,733	\$2,890,000	\$9
Health & human services	\$20,950,566	\$7,650,000	\$13,300,566	\$89
Environment & energy	\$5,377,503	\$1,500,000	\$3,877,503	\$42
Economic development	\$10,679,290	\$5,750,000	\$4,929,290	\$79
Public safety	\$7,594,100	\$2,970,000	\$4,624,100	\$38
Judiciary	\$3,619,507	\$2,627,523	\$991,984	\$8
Transportation	\$737,000	\$0	\$737,000	\$11
<b>Total</b>	<b>\$75,542,060</b>	<b>\$37,333,466</b>	<b>\$38,208,594</b>	<b>371</b>

The majority of adopted amendments added money for 371 earmarks, i.e., funding dedicated for small, typically local, projects. With respect to non-earmark spending, sizeable amounts were spent on the following programs:

- **Regional school transportation – \$6.4 million.** The new funding level (\$68.9 million) will provide reimbursement for approximately 80 percent of eligible costs.
- **Nursing home rates – \$2.8 million.** The SWM budget earmarked \$35.5 million for these rates; the amendment increases that amount to \$38.3 million, which supports staff salary and wages.
- **Adult basic education – \$2.4 million.** These programs, which receive funding through a competitive grant process, assist adults enrolled in community college certificate and degree programs. The Senate budget provides \$33.4 million to support adult basic education.
- **Massachusetts Legal Assistance Corporation (MLAC) – \$2 million.** Like the House, the Senate increases MLAC spending through amendment. MLAC, which is funded at \$21 million in the Senate budget, provides legal representation for low-income individuals.
- **Massachusetts Cultural Council (MCC) – \$2 million.** The MCC provides funding to a host of arts and culture programs around the state. With this increase, the Senate budget includes \$16 million for the MCC.
- **Individual homeless shelters – \$2 million.** The amendment brings state funding for homeless shelters that service individuals to \$48.2 million
- **Shannon Grants – \$2 million.** The Senate increased Shannon Grant funding to \$8 million dollars during debate. This program provides gang prevention grants to cities around the state.
- **Department of Mental Health hospitals – \$1.8 million.** The Senate increased DMH hospital funding to \$209.7 million. Part of this increase appears related to an increase in the number of inpatient beds required at Taunton state hospital. The original SWM budget mandated 45 beds at the facility. That number is increased to 50 beds in the final Senate budget.
- **Rural school aid – \$1.5 million.** This new program will provide aid to school districts with a low-density student population that meet the program’s income requirements. Districts receiving aid will be required to report to the Department of Elementary and Secondary Education on plans to increase collaboration and cooperation with other school districts in the area.
- **METCO – \$1 million.** The Senate budget now provides \$22.2 million for METCO which enables students from Boston and other cities to attend school in partnering school districts.
- **Lyme disease research – \$1 million.** This new funding would be provided to MassBiologics at the University of Massachusetts medical school to engage in Lyme disease research. The state investment would be repaid from any revenues from the sale of a treatment developed through this research.

**Revenue to Support New Spending**

The SWM budget included a revenue surplus of approximately \$80 million. These revenues cover the \$75.5 million in additional spending adopted during debate. In addition, amendments to increase nursing home rates and other MassHealth spending will generate \$2.4 million in new federal reimbursements. The only revenue raising proposals in the Senate budget increased fees on the transfer of real property and on car rentals, but this new money is dedicated to support the Community Preservation Act, county government and municipal police training, and would not impact the operating budget directly

**Policy Sections**

The Senate added 125 new policy sections to its budget during debate. While this number represents far fewer policy sections compared to recent Senate budgets, it is still more than either the Governor or the House.

*Figure 3. Senate Budget Policy Sections, FY 2016 – FY 2019*

	SWM	Added by Amendment	Senate Final
FY 2019	60	125	185
FY 2018	111	150	261
FY 2017	78	181	259
FY 2016	107	127	234

Among them are:

- **An Employer Medical Assistance Contribution (EMAC) surcharge credit** (amendment 351). This amendment, which was originally proposed in the Governor’s budget, would provide employers subject to both a state and federal penalty related to the number of employees receiving subsidized health insurance with a credit against any state penalty. Last year’s budget levied a surcharge on employer EMAC payments in cases where employees received state subsidized health care. This surcharge was predicated on the assumption that no similar federal penalty would be adopted. However, beginning last fall, the IRS began implementing a similar federal penalty created in the Affordable Care Act making this provision necessary to avoid penalizing an employer twice.
- **An EMAC hardship exemption** (amendment 589). The Senate also amended last year’s EMAC increase by directing the Administration to develop a hardship waiver for employers facing fiscal hardship due to the increased assessments. The Administration is also empowered to provide advanced notice or delayed payment dates for certain employers subject to the assessment.

- **A charter school fiscal impact** (amendment 205). The Senate added a provision that requires the Department of Elementary and Secondary Education (DESE) to notify the legislature of the amount necessary to fully fund charter school tuition reimbursements to traditional school districts. If the Legislature does not then fully fund these reimbursements, DESE would be prohibited from approving applications for new or expanded charter schools for the following year.
- **Community Preservation Trust** (amendment 3). The Community Preservation Act (CPA) provides participating communities with a state match on eligible projects. That match, which is supported by a surcharge on deed filings, has decreased significantly over time as more communities have joined the program. In FY 2018, the state match was 17.2 percent. The Senate amendment would increase the deeds surcharge (from \$20 to \$50 or from \$10 to \$25 depending on the type of filing) thereby providing an addition \$36 million to the trust. These additional monies will enable a state match of 40 to 50 percent.
- **Higher education campus notification** (amendment 323). Under the Senate budget, higher education campuses (including UMass) would be required to notify the state Board of Higher Education 120 days prior to closure, merger, acquisition of another institutions property or opening of a new campus. The Board is directed to review any such notification made by a public higher education institution and determine whether or not the proposed action is consistent with the institution's five year plan. It is not clear what would occur if the Board determines that the action is inconsistent.
- **County deeds fees** (amendment 365). The Senate increased several fees associated with recording deeds and, where applicable, dedicates the new revenue to county government. No estimate of how much this fee increase will raise was provided.
- **Group Insurance Commission membership and outreach** (amendment 387). This amendment requires that the four public members on the GIC have backgrounds in health care administration, behavioral health, employee benefits or health insurance effective with the next regularly occurring vacancy. In addition, the GIC is required to evaluate and report on its procedures as they relate to procurement law, public records and open meeting requirements. The report will include recommended notice periods for future benefit and plan design changes.
- **State contract prevailing wage contracts** (amendment 830). The Senate budget requires maintenance and cleaning contracts for all state entities meet minimum wage levels established by the Department of Labor Standards. A similar requirement currently is limited and does not extend to quasi-governmental agencies.

- **Sports betting** (section 870). This amendment permanently legalizes daily fantasy sports gaming. In 2016, the state legalized this form of gaming for a two-year pilot period. The amendment also creates a special commission to study the legalizing sports betting in Massachusetts.
- **Municipal police training rental car surcharge** (amendment 1114). The Senate added several sections that would add a \$2 surcharge to all car rentals in Massachusetts. The revenue from this surcharge – likely to be between \$3 million and \$8 million per year – would be dedicated to the Municipal Police Training Fund created in the recent criminal justice reform legislation.
- **Law enforcement and immigration status** (amendment 1147). – This amendment prohibits state or local law enforcement from inquiring as to immigration status unless required to by state or federal law. In addition, these provisions expand law enforcement training requirements to include guidance on lawful and unlawful immigration status inquiries, the process for informing people in custody of relevant detainer requests and the rules governing interviews between those in custody and the Department of Homeland Security. Finally, the amendment prohibits state and municipal officials, with the exception of officers with the Department of Corrections, from serving as an immigration officer and prevents state personnel or financial resources from being used to support any registration system based on religion, ethnicity or national origin.

### *Conclusion*

The Senate debate is noteworthy for its focus of funding local priorities and making targeted programmatic increases while also adding several major policy provisions through outside sections. The Senate is to be commended for minimizing use of unsustainable or non-recurring revenues; however its significant underfunding of several program areas is cause for concern.

The FY 2019 budget conference committee deliberations will focus on negotiating significant policy differences between the two budgets and attempt to accommodate both House and Senate spending priorities within a very similar revenue structure. It is essential that the conference committee undertake this task while prioritizing two fiscal imperatives. First and foremost, they must set aside funds to address the underfunding in both budgets as they did last year against a more challenging revenue backdrop. Budget conferees must also ensure that any FY 2018 tax revenue surplus is used to reduce the state's structural deficit and rebuild reserves.