



House Budget Debate Analysis

This week, the House deliberated on its fiscal year (FY) 2019 budget, taking four days to consider and dispose of 1,400 amendments. Upon completion, the House adopted more than 500 amendments, in whole or in part, which added \$79.6 million in additional spending and 67 policy sections to the HWM budget for a total of \$41.55 billion in line-item spending. This represents \$158.5 million more than the Governor’s spending proposal.

Figure 1. FY 2019 Budget Spending Comparison

| <i>Spending Comparison</i> | | | | | | |
|----------------------------|--------------------|------------|------------|------------|----------------|---------------------|
| | FY 2018 Current | GOV | HWM | Amendments | House Final | \$ Change v. Gov |
| Line item spending | \$40,572.7 | \$41,357.0 | \$41,435.9 | \$79.6 | \$41,515.5 | \$158.5 |
| Off Budget | \$4,273.2 | \$4,526.9 | \$4,526.9 | \$0.0 | \$4,526.9 | \$0.0 |

Spending Added During Debate

The House budget added \$79.6 million in funding across 146 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 House organized debate by policy category and figure two summarizes spending added by these categories.

Figure 2. House Amendment Spending by Category

| Category | Gross | Earmarks | Non-earmark |
|--|---------------------|---------------------|---------------------|
| Education & Local Aid | \$14,089,798 | \$5,340,000 | \$8,749,798 |
| Constitutional Officers, State Administration & Transportation | \$5,331,220 | \$2,105,000 | \$3,226,220 |
| Energy & Environmental Affairs | \$5,040,000 | \$4,950,000 | \$90,000 |
| Social Services & Veterans | \$2,829,000 | \$2,329,000 | \$500,000 |
| Housing, Mental Health & Disability Services | \$3,820,000 | \$3,270,000 | \$550,000 |
| Public Health | \$6,981,095 | \$5,930,000 | \$1,051,095 |
| Health & Human Services & Elder Affairs | \$10,683,000 | \$8,083,000 | \$2,600,000 |
| Public Safety & Judiciary | \$13,466,243 | \$8,787,984 | \$4,678,259 |
| Labor & Economic Development | \$10,680,000 | \$9,680,000 | \$1,000,000 |
| Technical | \$6,654,000 | \$4,525,000 | \$2,129,000 |
| Total spending | \$79,574,356 | \$54,999,984 | \$24,574,372 |

The majority of the spending added during debate (\$55 million) went to 500 earmarks – funding dedicated for specific use within a larger program (usually set aside for local priorities). As the

chart below shows, earmarks have played a longstanding role in recent House budgets, although this year the number is up noticeably from previous ones.

Figure 3. House Amendment Earmark Comparison, FY 2016 – FY 2019

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|------------------|---------|---------|---------|---------|
| Earmarks added | 285 | 381 | 388 | 500 |
| Earmark spending | \$43.4 | \$39.0 | \$40.9 | \$55.0 |

In addition to earmarks, the House also added \$24.6 million in programmatic spending. Notable programmatic spending changes include:

- **School and student assessment –\$5 million.** The new funding level for this account (\$32.1 million) now matches the amount first proposed by the Administration. The funding included in the HWM budget would have been insufficient to support current assessment tools and therefore would have resulted in program cuts or the need for future supplemental funding. The House amendment sets aside \$1 million of the increase to support assessments and professional development related to new civics, history and social studies curriculum standards.
- **Nursing home supplemental rates – \$2.5 million.** This increase results in a total of \$327.1M set aside for nursing home rate payments - \$10 million more than in FY 2018 and \$17.5 million more than the amount proposed by the Governor.
- **District Attorneys – \$2.2 million.** The House provided the state’s 11 district attorneys with a 2 percent funding increase over the HWM proposed level. Both HWM and the Governor proposed one percent funding increases for DAs over FY 2018.
- **Regional Transit Authorities - \$2 million.** The House boosted total funding to \$82 million, and earmarked the additional monies for RTAs that submit “remedial plans” to MassDOT to eliminate structural deficits over three years. The House also adopted several provisions to increase oversight of RTA finances and ensure that receipt of state funding is tied to performance goals. Finally, the House budget creates a task force to examine RTA performance and funding.
- **Tufts Veterinary School - \$1.5 million.** The House budget now provides \$5.5 million for the school, which received just under \$5 million in the FY 2018 budget and \$5 million in the Governor’s budget.
- **Shannon grants – \$1 million.** The House budget provides \$7 million for this program, up from \$6 million recommended by HWM. The program provides grants to cities throughout the Commonwealth to combat gang violence.
- **Regional school transportation – \$1 million.** The amendment adopted by the House brings total funding to \$63.5 million - \$2 million more than both the FY 2018 and Administration funding levels.
- **Massachusetts Legal Assistance Corporation – \$750,000.** The House budget now includes \$21.75 million for MLAC – a program that provides legal representation and

assistance to low income residents. This funding is significantly higher than the \$18 million provided in FY 2018 or the \$18.2 million recommended by the Governor.

- **Community college workforce incentive grants – \$750,000.** This funding restores a separate line-item for this program. Since FY 2013 these grants were included as part of a larger line-item that was since eliminated in both the HWM and Governor’s budgets.

Revenue to Support New Spending

The HWM budget included a revenue surplus of approximately \$80 million. These revenues support the \$79.6 in additional spending adopted during debate. In addition, amendments to increase nursing home rates and other MassHealth spending will generate \$3.2 million in new federal reimbursements. The House did not adopt any provisions to raise new revenues, although the dairy farmer tax credit (discussed below) would cost between \$1 and \$2 million in FY 2019.

Policy Sections

The House budget this year is notable for its limited number of policy sections. Typically, the budget provides lawmakers with an opportunity to adopt non-spending policies related to timely issues or pending legislation. In recent years, the Senate has been more active in including a variety of major new policy sections in its budget, but between FY 2016 and FY 2018, the House budget typically included about 150 policy sections each year. The FY 2019 House budget includes 109.

Figure 4. House Budget Policy Section Comparison, FY 2016 – FY 2019

| | HWM | Added by Amendment | House Final |
|---------|-----|-----------------------|-------------|
| FY 2019 | 42 | 67 | 109 |
| FY 2018 | 77 | 79 | 156 |
| FY 2017 | 50 | 91 | 141 |
| FY 2016 | 75 | 78 | 153 |

Among the 67 sections adopted by amendment, notable proposals include:

- **Elimination of the “cap on kids” for state TAFDC¹ assistance.** TAFDC benefits are based on family size. However, that family size is capped based on the number of children in a family when TAFDC benefits were first received; Massachusetts is one of 17 states that do not increase family benefits for children born subsequently. The House adopted an amendment to eliminate this cap – which will provide additional TAFDC benefits for approximately 9,000 additional children in the state. This change will cost approximately \$10 million annually when it takes effect in FY 2020.

¹ Temporary Assistance to Families with Dependent Children

- **Increase of the dairy farmer tax credit.** The House increased the annual cap on the state's dairy farmer tax credit from \$4 million to \$6 million. This income tax credit is provided to registered dairy farmers based on production.
- **Increase of the conservation tax credit.** The House also adopted sections that would phase in an increase to the cap on the state's conservation tax credit. Tax filers who donate land to the state receive a credit, with a statewide cap of \$2 million per year. The House budget would increase that cap to \$5 million by 2021, with the first increase slated for 2019.
- **Increase the employment hour cap for retired state and local employees.** The House amendment would allow retirees receiving a state or local pension to work for a public entity in the state for up to 1,500 hours a year. Currently, the employment cap for retirees receiving a pension is 960 hours per year.
- **Dedicate surplus revenues to support the CPA.** The House directs \$5 million from any budget surplus to the trust fund which supports the Community Preservation Act.

Conclusion

The House completed its budget process after adding \$79.6 million in spending and 67 policy sections to the original HWM plan. The vast majority of spending added by amendment (69 percent) comes in the form of dedicated earmarks, continuing a trend that has been building over the last five years.

In total, the House budget exceeds the Administration's FY 2019 spending plan by \$158.5 million. While both budgets make the same reasonable revenue assumptions, the two budgets differ on spending. Part of this difference is due to different policy priorities for areas like MassHealth and education, but the biggest spending differences are due to the underfunding of several major program areas in the House budget. Unless this underfunding is addressed in the final budget, the state is likely to begin the year with a significant budget gap as a result.