

Bulletin

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MTF

MTF's Preliminary Analysis of the House Debate

This week, the House completed its debate of the FY 2017 budget. Over the course of three days, the House added \$59.5 million in new budget spending and 91 new policy sections to the budget plan released from the House Ways and Means Committee (HWM) earlier in the Month.

Final House Budget Spending

Table 1. Final House Budget Spending Comparison

	H2	HWM	House Amendments	House Final Spending	\$ Change v. FY 2016	\$ Change v. H2	HWM Change v. FY 2016
Line Item Spending	\$39,553.4	\$39,483.3	\$57.0	\$39,540.3	\$1,210.6	-\$13.1	3.16%
Pre-Budget Transfer	\$4,113.5	\$4,113.5	\$0.0	\$4,113.5	\$289.2	\$0.0	7.56%
Off-budget	\$233.2	\$233.2	\$2.5	\$235.7	\$6.3	\$2.5	2.75%
Total	\$43,900.1	\$43,830.0	\$59.5	\$43,889.5	\$1,506.1	-\$10.6	3.55%

At the conclusion of debate, House budget spending stands at \$43.89 billion. While this number is an increase of \$59.5 million from the original HWM budget, it still represents spending growth of 3.55% a figure well below expected tax revenue growth of 4.3% and slightly lower than the Governor's budget.

Spending by Category

Table 2. New House Spending by Category

Spending Category	Amount
Local Earmarks	\$38,998,250
Education & Local Aid	\$20,410,000
Social Services & Veterans	\$13,519,000
Labor & Economic Development	\$7,313,168
Public Health	\$5,195,225
Housing, Mental Health & Disability Services	\$3,565,000
Public Safety & Judiciary	\$2,072,985
Constitutional Officers, State Administration & Transportati	\$1,610,000
Energy & Environmental Affairs	\$850,000
GIC Reduction	-\$34,000,553
Total	\$59,533,075

In total, the House added \$59.5 million in funding for 125 line- items through amendments.¹ The largest single category of spending added on the floor is from local earmarks, totaling almost \$40 million in new spending. Local earmarks set aside funding within a spending item for a specific program or purpose in the Commonwealth. As has been the case in recent years, the most common types of local earmarks were in support of parks, tourism and public safety.

Other major funding increases include:

- \$11.9 million for low-income family supports. The House adopted amendments increasing funding for several employment support programs for low-income families by \$5.8 million. In addition, the House added \$6 million in funding to support clothing and rental benefits for low-income families receiving state assistance. The House adopted similar amendments in the FY 2016 budget.
- \$5.9 million for at-risk youth programs. As MTF highlighted, several of these programs were funded at low-levels in the HWM budget. Through amendments, the House restored or added new funding for five of these programs.
- A \$5 million increase for the Child Care rate reserve fund, bringing total funding to \$15 million. These funds support salary increases for workers at child care centers receiving state funding.
- \$4.7 million in new funding for programs at the University of Massachusetts, including a new \$2 million item for UMass Medical Research.
- \$2.4 million for economic development programs not included in the original HWM budget.

As Table 2 shows, the House actually increased item spending by \$93.6 million, but those increases were partially offset by a \$34 million reduction in appropriations to the Group Insurance Commission (GIC). The GIC recently reforecast projected enrollment for FY 2017, and this reduction presumably reflects savings from updated projections.

Revenue to Support New Spending

How the House plans to pay for the additional \$59.5 million in spending from adopted amendments is not clearly identified; however, it appears that it will be supported by \$86.8 million in revenue transferred from the Commonwealth Connector (\$71.8 million after accounting for a \$15 million transfer to the Health Safety Net). This revenue, which was also used in the Governor's budget, did not appear in the revenue summary of the House Ways and Means budget though language allowing for the transfer was included.

Policy Sections

In addition to line-item amendments, 91 policy sections were also added to the budget during the floor debate for a total of 138 policy sections in the final House budget. This is the smallest number of policy sections in a House budget since FY 2012. Topics addressed include:

- State compliance with federal RealID identification requirements
- Establishment of payments for ambulance services
- Requirements governing when the state must hold a hearing on the reuse of an obsolete state facility
- Inclusion of pedestrian and bicycle safety issues on driver's license test
- Cost reduction of higher education textbooks

¹ In several cases, MTF cost analysis differs slightly from the Fiscal Notes provided with House amendments. Therefore the sum total of those Fiscal Notes may differ slightly from the \$59.5 million used in this analysis.

The House also adopted language that dedicates \$20 million of any FY 2016 budget surplus to the Community Preservation Act (\$10 million) and the state's Life Science Center (\$10 million). The Governor's budget included identical language. Absent this language, all surplus revenue would go to the Stabilization Fund.

Consistent with Speaker DeLeo and Chairman Dempsey's earlier remarks, the House did not adopt any tax changes in their budget although a number of tax proposals related to both tax reductions (including a reduction of the sales tax to 5 percent) and tax increases (including an increase to the state's gas tax) were debated.²

The House also wisely rejected an amendment that would dedicate 50 percent of any tax revenue surplus in FY 2017 (up to \$100 million) to unrestricted local aid. Earmarking excess revenues, while the Stabilization Fund balance is in need of replenishment is bad policy.

Conclusion

After adding just under \$60 million, the House budget remains slightly below the spending level proposed by the Governor and reflects spending growth which is far less than tax revenue growth. Much of the spending adopted during debate goes to local projects, as opposed to statewide programs. These types of earmarks were largely eliminated during the Great Recession but have once again become common. Still, the final House budget adheres to the restrained approach to spending set forth in the Governor's budget. It is now up to the Senate to ensure that the FY 2017 budget limits spending growth and prioritizes rebuilding reserves.

² In several cases, the House technically adopted tax change amendments, but only after voting to further amend the underlying amendment to prevent the tax change from occurring.