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MTF Brief

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House Final FY 2023 Budget

The House wrapped up its budget deliberations this week, finalizing a \$49.8 billion budget, after adding \$129.6 million in spending through amendment over the course of 3 days of session.

The House acted on a record number of budget amendments this year, disposing of 1,522 riders through 7 consolidated amendments and 13 separate amendment votes. Some form of at least 627 of those amendments were adopted – 580 which added spending and 47 that added new policy sections or other budget language. This Brief summarizes House floor spending and policy provisions added.

FY 2023 Spending Comparison

	FY 2022 Current	FY 2023 Gov	FY 2023 HWM	House Floor	FY 2023 House Final
Line-Item Spending	\$49,363.4	\$48,231.4	\$49,629.5	\$129.6	\$49,759.1
Medical Asst. Trust	\$471.4	\$575.9	\$575.9	\$0.0	\$575.9
Pre-budget Transfers & Other	\$6,355.5	\$5,980.5	\$5,815.5	\$5,755.5	\$5,815.5
Total Spend	\$56,190.3	\$54,787.8	\$56,020.9	\$5,885.1	\$56,150.5

The final FY23 House budget now includes \$49.8 billion in total spending, \$1.5 billion more than proposed by Governor Baker back in January. Almost \$600 million of this difference is due to revised MassHealth spending estimates, but even after accounting for this difference, the House spends close to \$1 billion more.

House Spending Overview

The House added \$129.6 million in spending on the floor, almost double the \$66.1 million added during their FY 2022 debate. Just under half the spending (47.8 percent) came in the form of 617 earmarks for specific communities or organizations, while \$67.7 million adds new program spending.

FY 2023 House Floor Spending

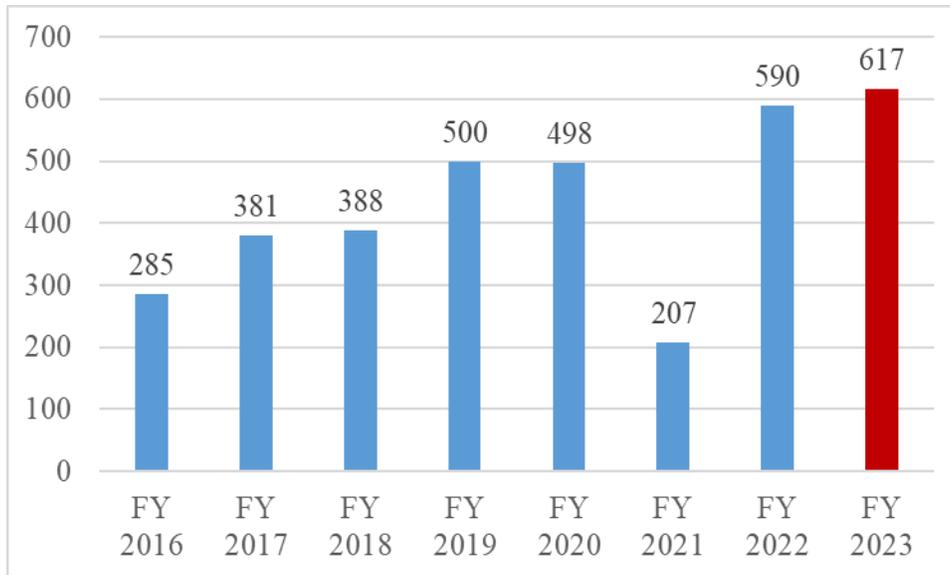
Category	Gross	Earmarks	Non-earmark	Offsets
Education, Local Aid, Social & Veterans Services	\$7.3	\$6.0	\$1.4	\$0.0
Health & Human & Elder Affairs	\$46.4	\$6.4	\$40.0	-\$20.0
Public Safety & Judiciary	\$27.3	\$7.4	\$19.8	\$0.0
Public Health, Mental Health & Disability	\$14.7	\$13.8	\$0.9	\$0.0
Constitutional Officer, Administration & Transportation	\$3.5	\$3.3	\$0.2	\$0.0
Energy, Environment & Housing	\$7.9	\$7.8	\$0.1	\$0.0
Labor & Economic Development	\$15.7	\$11.4	\$4.3	\$0.0
Corrective Amendment	\$6.8	\$5.7	\$1.2	\$0.0
Total	\$129.6	\$61.9	\$67.7	-\$20.0

\$ in millions

Earmark spending

The House added \$61.9 million in earmark spending. The 617 earmarks added is 27 more than FY 2022 and the most adopted since at least FY 2016.

House Earmarks Added by Year, FY 2016 – FY 2023



Earmarks dedicate funds within a larger line-item for a specific use, such as a particular community or organization. In FY 2023, the median House earmark is \$50,000 and the most common use is for community economic development and tourism (137 earmarks). While most of the individual earmarks are of modest amounts, combined they make up a significant total and over the last five years the number of earmarks has grown by 59 percent. Earmarks provide one-time benefits to a variety of small programs around the state, but they also limit the statewide impact of new investments in priority areas.

Earmark Spending by Category

Category	Total Earmarks	Earmark Spending
Education, Local Aid, Social & Veterans Services	74	\$5,988,000
Health & Human & Elder Affairs	41	\$6,407,000
Public Safety & Judiciary	67	\$7,431,250
Public Health, Mental Health & Disability	68	\$13,815,000
Constitutional Officer, Administration & Transportation	61	\$3,297,000
Energy, Environment & Housing	122	\$7,840,720
Labor, Economic Development & Tourism	137	\$11,425,000
Corrective Amendment	47	\$5,670,000
Total	617	\$61,873,970

Other spending

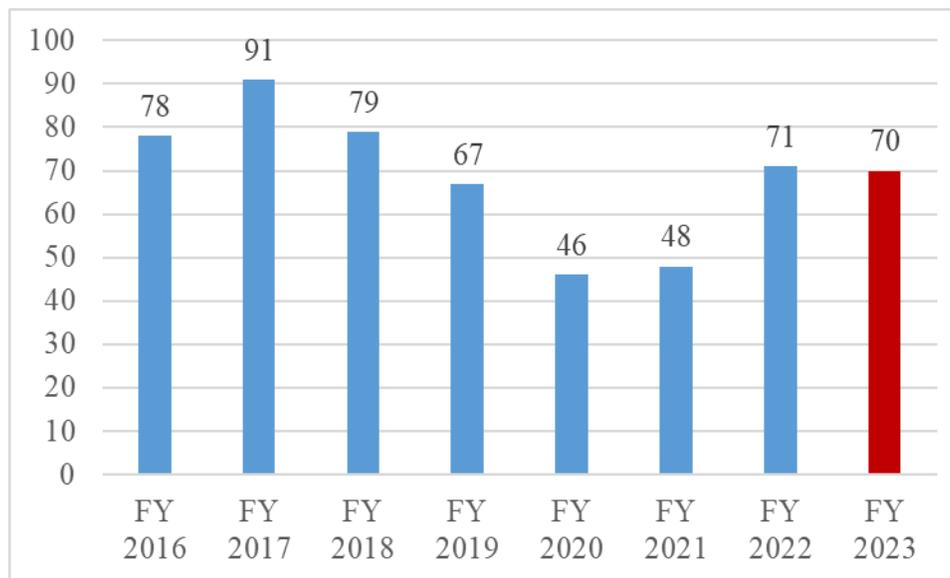
The House added \$67.7 million in non-earmark spending. Notable funding increases include:

- \$40 million to provide a rate supplement to nursing homes to offset COVID-19 related costs. This rate increase will generate \$20 million in federal reimbursement;
- \$18.3 million to cover the costs of judicial pay raises that the House adopted through amendment. The amendment increases salaries for judges by 12.5 percent;
- \$2 million to capitalize the state's Tourism Trust Fund;
- \$2 million to increase spending for the Commonwealth Zoological Corporation from \$4.6 million to \$6.6 million. The corporation supports the Franklin Park and Stone Zoos
- \$1.5 million to increase spending for the Massachusetts Legal Assistance Corporation (MLAC), which provides legal services to low-income individuals. The final House budget provides \$41 million for MLAC;
- \$500K to capitalize a new trust fund to support public school instruction on the history of genocide. The trust fund was created as part of genocide education legislation signed into law last December;
- \$500K to increase state support for the Cummings School of Veterinary Medicine from \$5.5 million to \$6 million.

Policy Sections

The House added 70 new policy sections and amended 4 others included in the HWM budget.

House Policy Sections Added by Year



Notable policy amendments include:

- **Early education reimbursements** (item 3000-1042) –changes the \$70 million early childcare reimbursement rate increase included in the HWM budget into a quality add-on, which must be distributed by an equal percentage to all recipients. The adjustment from a rate increase to a quality add-on avoids a requirement that private pay rates increase with reimbursement rates. However, this may have implications on state progress toward federal rate standards;
- **Common application portal for benefits** (section 3A) –requires the Executive Office of Health & Human Services (EOHHS) to create a one-stop application portal that would include a number of means-tested state programs including MassHealth, SNAP, veterans, housing and childcare benefits;
- **Conservation land tax credit** (sections 25A through 25J and 72A through 72D) –increases the annual cap on the tax credit from \$2 million to \$5 million, over a three-year period. The increase would sunset after 10 years.
- **Paid Family & Medical Leave wage replacement** (section 39 ½) – amends the PFML law to allow workers to receive accrued sick and vacation pay simultaneous with PFML benefits, provided that the combined amount does not exceed the worker’s salary;
- **Judicial pay raises** (sections 39I through 39O) – increases pay for judges. The House Ways and Means Budget already included provisions increasing pay for district attorneys and county sheriffs;
- **Piers Park open space** (section 45A) – sets forth procurement and wage criteria for open space development and maintenance at Piers Park in East Boston;
- **Drug coupons** (section 46A) – extends the state’s drug coupon program through FY 2026;

- *Feasibility study for health care workforce center at Mount Ida* (section 56A) – directs UMass Amherst, in conjunction with EOHHS, to assess the feasibility of a school of health sciences education and center for health care workforce at the university’s Mount Ida campus. The study would be due on December 31st.

Budget Resources

The initial House Ways and Means budget included \$115.7 million in unexpended revenue. That balance, in addition to the \$20 million federal revenue generated by additional nursing home spending, is sufficient to support the \$129.6 million in new spending added through amendment.

The House budget made no adjustment to the consensus tax revenue estimate agreed to in January. FY 2022 revenues have exceeded expectations by about \$1.5 billion since that time, making it likely that further revenue adjustments will occur prior to finalizing the budget.

Bottom Line

Like the original HWM budget, the House budget debate is notable for the amount of new spending added. The House added almost double the amount of spending on the floor that occurred during the FY 2022 debate. The new spending added in FY 2023 is primarily comprised of local earmarks, additional rates for nursing homes and the cost of judicial pay raises.

Also noteworthy is the omission from the budget of tax relief, however, the House has signaled it is likely to revisit tax relief proposals in the coming weeks. As the budget process heads to the Senate, two key areas will come into sharper focus: the extent of a likely FY 2023 revenue upgrade, and how to balance new investments with tax relief that helps residents and addresses uncompetitive aspects of the state’s tax code.