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MTF Bulletin

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House Final FY 2024 Budget

The House finalized its **\$54.9 billion** Fiscal Year (FY) 2024 budget this week after adding \$129.7 million in spending over the course of three days of debate.

The House took action on 1,566 amendments through a combination of 7 consolidated amendments and 3 separate votes. Some form of at least 773 amendments were adopted; 745 added new spending, 25 added or amended policy sections or budget language, and 3 included a combination of both. This brief summarizes the House debate action and assesses the new spending and policy proposals.

FY 2024 Spending Summary

	FY 2023 GAA	FY 2024 Governor	HWM Budget	House Floor	House Final
Line-Item Spending	\$51,868.71	\$54,777.25	\$54,817.39	\$129.70	\$54,947.09
Medical Asst. Trust Fund	\$575.90	\$505.00	\$505.00	\$0.00	\$505.00
Pre-Budget Transfers	\$6,334.90	\$6,898.90	\$6,898.90	\$0.00	\$6,898.90
Other Off-Budget & Assumed Supps	\$840.00	\$0.00	\$200.00	\$0.00	\$200.00
Total Spend	\$59,619.51	\$62,181.15	\$62,421.29	\$129.70	\$62,550.99

The Final FY 2024 House budget now includes \$54.9 billion in total line-item spending, \$3.1 billion more than the FY 2023 budget and \$169.8 million more than Governor Healey’s proposal. The original House Ways and Means (HWM) budget spent only \$40 million more than the Governor, primarily in the areas of healthcare, housing, and workforce. Similarly, during debate, the greatest amount of spending was added through a consolidated amendment focused on Health and Human Services, and Elder Affairs; including a \$30 million increase for MassHealth Fee-for-Service to support increased reimbursement rates for ambulance ground transportation.

House Debate – Spending Overview

Through the adoption of 7 consolidated amendments and 2 standalone amendments, the House added **\$129.7 million** in new spending on the floor. This figure is nearly equal to the amount of

spending added during House debate in FY 2023, which totaled \$129.6 million; however, it is \$40.9 million more than the three-year average for House debate spending of \$88.8 million.¹

Approximately 63.5 percent (\$82.3 million) in new spending is attributable to earmarks for specific communities, organizations, or projects; while \$47.3 million (36.5 percent) is related to broader, programmatic increases or new line-items.

FY 2024 House Floor Spending by Category

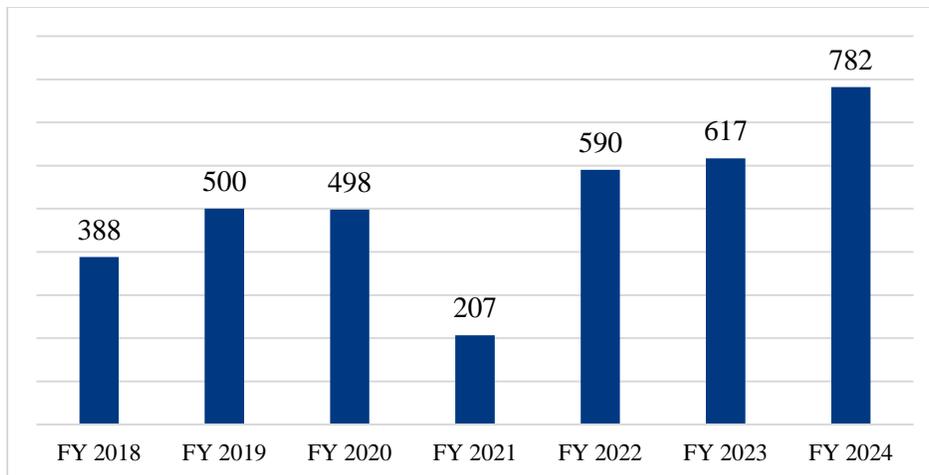
Category	Total Fiscal Note	Earmark Spending	Non-Earmark Spending	Offsets
Education & Local Aid/Social Services/Veterans	\$15.51	\$9.31	\$6.20	\$0.00
Health and Human Services and Elder Affairs	\$38.08	\$7.08	\$31.00	-\$15.00
Public Safety and Judiciary	\$10.55	\$7.69	\$2.87	\$0.00
Public Health/Mental Health and Disability	\$17.12	\$16.38	\$0.74	\$0.00
Constitutional Officers & State Administration/Transportation	\$5.27	\$1.19	\$4.08	\$0.00
Energy and Environmental Affairs, Housing	\$11.66	\$11.66	\$0.00	\$0.00
Labor and Economic Development	\$31.52	\$29.07	\$2.45	\$0.00
Total	\$129.70	\$82.36	\$47.34	-\$15.00

\$ in millions

Earmark Spending

The House added 782 earmarks to its budget during debate, comprising \$82.3 million in new spending. This is more than double the amount of earmarks added by the House in FY 2018, and 163 more than were added during last year’s debate.

House Earmarks Added by Year, FY 2018 – FY 2024



¹ Three-year average includes FY 2020, FY 2022, and FY 2023 spending during House debate. The calculation excludes FY 2021 due to the impacts of the pandemic.

The number of earmarks added to the House budget exceeds the number of amendments adopted because amendments may include multiple earmarks, and additionally, the consolidated amendment process allows new earmarks to be adopted to the budget without an original amendment having been filed.

Earmarks dedicate funds within a larger line-item for a specific use, such as a particular community, project, or organization. In FY 2024, the median House earmark was adopted at \$50,000 and the most common use was for community and economic development initiatives.

While the majority of earmarks carry a modest cost, combined they make up a significant portion of spending. Earmarks provide one-time benefits for a variety of purposes across the state, but they also limit the resources available for other uses. Perhaps most notably, earmark spending can come at the expense of grant programs that fund similar projects based on more transparent metrics. In addition, earmarks are often unevenly distributed, meaning that certain types of programs or areas of the state can lose out.

FY 2024 House Earmark Spending by Category

Category	Earmark Spending	# of Earmarks
Education & Local Aid/Social Services/Veterans	\$9.31	116
Health and Human Services and Elder Affairs	\$7.08	55
Public Safety and Judiciary	\$7.69	78
Public Health/Mental Health and Disability	\$16.38	64
Constitutional Officers & State Administration/Transportation	\$1.19	17
Energy and Environmental Affairs, Housing	\$11.66	163
Labor and Economic Development	\$29.07	289
Total	\$82.36	782

\$ in millions

Other Notable Spending

The House added **\$47.3 million** in non-earmark spending, including funds for new line-items or larger programs. Notable funding increases include:

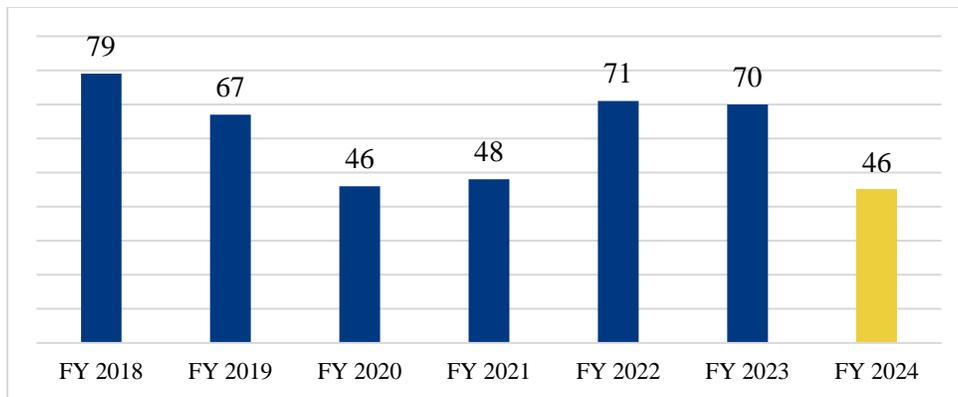
- \$30 million for MassHealth Fee-for-Service, to support increased reimbursement rates for ambulance ground transportation. This spending may generate approximately \$15 million in new federal reimbursement revenue.
- \$2.5 million for a pilot program at the Department of Corrections and county correctional facilities to treat individuals with severe mental illness with clinically appropriate medications.
- \$2.4 million increase for Charter Tuition Reimbursement to increase the per pupil facilities rate by \$100, from \$1,088 to \$1,188.
- \$2 million for the operation and coordination of the Federal Funds and Infrastructure Development Office.

- \$1.9 million to increase funds for the Commonwealth Zoological Corporation, for a total funding level of \$6.75 million.
- \$1.1 million to increase spending for the Cannabis Control Commission, from \$16.3 million to \$18.5 million.
- \$1 million in new funding for the METCO program, increasing the total appropriation to \$31 million.
- \$500K for a transfer to the Genocide Education Trust Fund, which supports the instruction of middle and high school students on the history of genocide.

House Debate – Policy Sections

Over the course of House debate, 46 new policy sections were added to the budget through the adoption of 28 amendments. This is tied for the fewest number of sections added since at least FY 2018, and 24 less than FY 2023.

House Policy Sections Added by Year



Notable Policy Amendments:

- ***Brownfields Tax Credit Extension*** (Sections 14A through 14D) – Provides a 5-year extension to the Brownfields Tax Credit, which offers a state income tax credit to real estate owners, operators, and developers to offset the net costs of cleaning up brownfields sites that contain potentially hazardous contaminants. The extension was also included in Governor Healey’s original tax relief package.
- ***Charter Tuition Reimbursement, Per Pupil Facilities Fee*** (Line Item 7061-9010) – Funding for the Charter Tuition Reimbursement account is increased by \$2.4 million to support a \$100 increase in the per pupil facilities fee from \$1,088 to \$1,188. The facilities fee provides additional aid to charter schools for the costs of building maintenance, and sending districts are fully reimbursed by the state for these payments.
- ***Ambulance Ground Transportation*** (Section 34B) – Requires all ambulance ground transportation provided to MassHealth Fee-for-Service and Managed Care plan members to be reimbursed at 100 percent of the Medicare Locality 99 Urban reimbursement rate at

the time of service. This section is accompanied by a \$30 million investment in the MassHealth Fee-for-Service line item.

- ***HomeBASE Short-Term Housing Assistance*** (Line-item 7004-0108) – Amends line-item language for the HomeBASE program to increase the amount of housing assistance from \$20K every two years to \$30K every two years. The language would also permit eligible families to receive up to \$15K in benefits in the subsequent 12-months, provided that they meet the requirements of a housing stabilization plan. No additional funding was included in the line-item related to this policy change.
- ***Data Centers Sales & Use Tax Exemption*** (Section 8AA) – Creates a sales and use exemption for qualified data centers, including data center facilities that meet certain size, facility costs, employment, and equipment criteria. The House included a very similar section in the economic development legislation from last session.
- ***Paid Family and Medical Leave Wage Replacement Options*** (Section 27A 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. Very similar policy language was adopted to the House budget in FY 2023, but ultimately not included in the final budget.
- ***Promoting Public Safety and Certainty Related to Child Deaths*** (Section 18A) – Requires the Chief Medical Examiner to review and approve the findings of, as well as any changes to, an autopsy report for a child under the age of two. This proposal gained traction in both the House and Senate last session, however a final bill was not signed into law.
- ***Governor’s Council Salary Increase*** (Section 3A) – Increases the salaries of Governor Council members from \$36,025 to \$45,025. This outside section is accompanied by an increased appropriation in the line-item.
- ***Special Education Out-of-State Tuition Rates*** (Section 35A) – Requires the Operational Services Division to determine the prices for out-of-state students enrolled in a Chapter 766 private school for Fiscal Year 2024. This policy is longstanding and historically added to the state budget during the debate process.
- ***Preserving Preventative Services*** (Sections 12A, 27A through 27D, and 44A) – Amends existing Massachusetts General Laws to codify the existing practice of requiring insurance providers to provide coverage for federally-defined preventative services.
- ***Demographic Data Collection and Tabulation*** (Section 3B) – Directs government agencies to utilize specific collection and tabulation delineations for racial and ethnic subgroups.

Budget Resources

Heading into debate, the HWM budget carried a surplus of approximately \$115 million in resources. When combined with the approximately \$15 million in new federal reimbursement

generated by the \$30 million increase for MassHealth; enough additional revenue exists to cover the entirety of new spending.

The House Final budget makes no adjustments to the consensus tax revenue estimate agreed to in January.

Bottom Line

The House added **\$129.7 million** in new spending over the course of three days of debate; nearly level with the amount added in FY 2023, but \$40.9 million more than the three-year average of new debate spending. The new spending added for FY 2024 is heavily weighted towards earmarks, while new programmatic funding represents only 36.5 percent of investments. The House also added 46 outside section policies to their budget during debate, largely avoiding significant policy changes. No amendments were adopted to materially change the House's tax relief proposal or income surtax spending plan.

The Senate Committee on Ways and Means (SWM) is anticipated to release their budget proposal during the second week of May. As the budget process continues, two key areas will continue to dominate the discourse: ongoing tax relief and the collection, tracking, and use of income surtax revenues. The main questions to watch going forward include:

- When will the Senate act on its tax relief proposal, and will we see it reflected in the SWM budget?
- How will the Senate's tax plan differ from the packages proposed by the House and Governor?
- What investment areas will the Senate prioritize with income surtax revenues, and what structures will they put in place to ensure transparency and sustainability?