



May 29, 2019

Senate Budget Debate Analysis

Last week, the Massachusetts State Senate finalized its version of the fiscal year 2020 budget after considering the Senate Committee on Ways and Means (SWM) budget proposal and the 1,142 amendments filed by Senators. The differences between the House and Senate versions will now be resolved by a conference committee anticipated to be appointed next week. State fiscal year 2020 begins on July 1, 2019.

This analysis outlines how the Senate prioritized spending of \$43.26 billion in its version the state's annual operating budget. The Senate budget exceeds the House budget by about \$20 million and Governor Baker's spending plan by \$89 million. The final Senate budget increases spending by \$1.2 billion, or 2.9 percent over fiscal 2019.¹

Key Findings:

1. The Senate adopted an "education first" budget that made a significant new investment in public education funding through the state's Chapter 70 program, adding \$268 million more than fiscal 2019 levels.
2. Like the Governor and House proposals, the Senate assumes a sizeable deposit of \$268 million into the Stabilization Fund.
3. The Senate's spending levels exceed Governor Baker's plan by \$89 million and the House's budget by \$20 million. This increased spending is supported by adopting new tax revenue initiatives totaling \$79 million as well as underfunding certain accounts and using ambitious revenue assumptions with a potential net impact of \$254 million.
4. Revenues exceeded spending by about \$70 million in the SWM proposal assumedly in order to account for spending added during the floor debate. MTF's analysis of the SWM proposal suggested a higher amount of \$93 million

¹ Fiscal year 2019 estimates as of January 23, 2019.

available for amendments, although \$14 million of this \$93 million is specifically earmarked for substance use disorder prevention and treatment programs.

5. The Senate adopted 480 amendments, adding \$74.4 million in spending authorization to the budget during the floor debate. This includes \$52 million in grants and subsidies, \$10 million in agency program expenses (including wages, employee benefits, and operating expenses), \$7 million in safety net payments, and \$5 million in other spending.
6. After amendments, revenue exceeds spending by \$14.5 million; however, inclusive of potential exposures of \$254 million (ambitious revenue assumptions or underfunded accounts), spending could exceed revenue by approximately \$240 million.
7. A total of 54 policy amendments were adopted, including 30 modifying laws or regulations, 3 clarifying laws or regulations, and 21 sections that require studies, add reporting requirements, or change the name of a place or object.

Spending Added by Amendment

SEN Amendment Summary		
Category	Count	Amount
Health and Human Services	107	19.0
Education	72	16.3
Economic Development	94	13.1
Public Safety	50	8.9
Environment	46	4.9
Judiciary	9	3.5
Local	46	2.9
Other	15	2.6
Government	29	2.0
Transportation	12	1.2
Total	480	74.4

Amount figures in \$ millions.

Figure 1: Senate Adopted Budget Amendments

Senators filed 1,142 amendments to the budget proposal. These include 875 amendments to add spending worth nearly \$1.1 billion; 263 policy amendments that modified laws or regulations had a financial impact not calculated or accounted for in



the amendment; and four other amendments that were withdrawn shortly after being filed.

A total of 480 of the 1,142 amendments were adopted, 506 were rejected, and 156 amendments were withdrawn from consideration.

These 480 amendments were adopted across the ten policy area categories identified by SWM, as depicted in Figure 1. MTF analysis calculates that these amendments added approximately \$74.4 million in additional spending.

MTF analysis of this spending further categorizes these additions by six types, including state employee wages and salaries, employee benefits (payroll taxes, employee pension and healthcare benefits), operating expenses (rent, utilities, office supplies, and other similar items), “safety net” payments includes purchased services for clients and payments to beneficiaries, grants and subsidies to municipalities or non-profit organizations, and other spending that is typically transfers to other state entities.

Using this methodology, the Senate added approximately \$10 million for programmatic agency expenses (wages & salaries, employee benefits, and operating expenses), \$7 million for safety net spending, \$52 million for grants and subsidies, and \$5 million in other spending.

Spending by Category	
Category	Amount
Wages & Salaries	7.8
Employee Benefits	0.1
Operating Expenses	2.1
Safety Net	7.3
Grants & Subsidies	52.3
Other	4.9
Total	74.4

Figures in \$ millions.

Figure 2: Senate Adopted Budget Amendments by Category



Appropriation Summary by Related Function

Figures in \$ millions.

	<u>FY19 Spending</u>	<u>FY20 House 1</u>	<u>FY20 HOU</u>	<u>FY20 SEN</u>
Administration & Finance	2,564.5	2,564.5	2,529.6	2,530.6
Education	8,620.1	8,924.6	9,010.9	9,027.4
Energy & Environmental Affairs	263.0	273.3	286.2	282.2
Health & Human Services	23,168.0	23,825.3	23,907.4	23,906.0
Housing & Economic Development	587.3	571.0	585.5	587.9
Labor & Workforce Development	65.5	73.3	73.0	72.5
Public Safety & Security	1,230.6	1,269.8	1,259.0	1,258.3
Technology Services & Security	36.3	41.3	36.3	41.3
Transportation	739.9	741.6	694.1	697.4
<i>subtotal</i>	<u>37,275.2</u>	<u>38,284.8</u>	<u>38,381.9</u>	<u>38,403.5</u>
All Other	4,794.6	4,889.5	4,861.5	4,859.8
<i>reversion assumption</i>	-42.0			
<i>Total</i>	<u>42,027.8</u>	<u>43,174.3</u>	<u>43,243.4</u>	<u>43,263.2</u>

Notes:

Spending items are categorized by “related function”, such that Chapter 70 education aid to school districts is categorized as education spending. Transfers to non-budgeted funds are grouped with the relevant policy area (i.e. health care transfers are included in Health & Human Services).

Fiscal 2019 spending figures are as of January 23, 2019. Fiscal 2019 figures are adjusted to be comparable to fiscal 2020 values.

	SEN vs FY19 Spend		SEN vs House 1		SEN vs HOU	
	\$ change	% change	\$ change	% change	\$ change	% change
Administration & Finance	-33.9	-1.3%	-33.9	-1.3%	0.9	0.0%
Education	407.3	4.7%	102.8	1.2%	16.5	0.2%
Energy & Environmental Affairs	19.2	7.3%	8.9	3.3%	-4.0	-1.4%
Health & Human Services	738.0	3.2%	80.6	0.3%	-1.4	0.0%
Housing & Economic Development	0.6	0.1%	16.9	3.0%	2.4	0.4%
Labor & Workforce Development	7.0	10.8%	-0.8	-1.1%	-0.5	-0.7%
Public Safety & Security	27.6	2.2%	-11.6	-0.9%	-0.7	-0.1%
Technology Services & Security	5.0	13.8%	0.0	0.0%	5.0	13.7%
Transportation	-42.6	-5.8%	-44.3	-6.0%	3.3	0.5%
<i>subtotal</i>	<i>1,128.3</i>	<i>3.0%</i>	<i>118.6</i>	<i>0.3%</i>	<i>21.6</i>	<i>0.1%</i>
All Other	65.2	1.4%	-29.8	-0.6%	-1.7	0.0%
<i>Total</i>	<i>1,235.5</i>	<i>2.9%</i>	<i>88.9</i>	<i>0.2%</i>	<i>19.8</i>	<i>0.0%</i>

Notes:

Figures are in \$ millions unless otherwise noted.

Notable Amendments (Adding Spending of \$1 M or More)

Health and Human Services

The Senate created a new grant program to expand and promote existing opioid harm reduction efforts by the Department of Public Health and appropriated \$5 million for it. These efforts include additional sterile and safe injection equipment, expanding access to naloxone rescue kits, and other measures. This item is the single largest spending item added by the Senate and supported by the revenue earmarked for substance misuse disorder prevention and treatment.

Supplemental Nutrition Assistance Benefits and Home Care Aide Training

Other amendments added funding for a pilot program to expand access to supplemental nutrition assistance benefits by considering program eligibility at the same time of enrollment in MassHealth, and a grant program to train home care aides.

Education

The Senate added \$2 million to reimburse school districts for regional school transportation costs, \$1.5 million for new grants to expand civics education in public schools, \$1.4 million for public schools near military facilities, and \$1 million in additional aid to rural schools.

Economic Development/Housing

The Senate added \$1.3 million for a new cybersecurity fund to improve the security of the Commonwealth's information technology systems, \$1.1 million for the YouthWorks program that "helps teens and young adults get the skills and experience needed to find and keep jobs", an additional \$1 million to address a waiting list for the Department of Mental Health rental subsidy waiting list, and \$1 million for the Massachusetts Cultural Council.²

Public Safety

The Senate added \$2 million for Shannon grants that aim to reduce gang violence across the Commonwealth and \$1.9 million for Hazardous Materials Response Team funding.

² Commonwealth Corporation "YouthWorks" program <http://commcorp.org/programs/youthworks/>
Accessed May 28, 2019.



Energy and Environmental Affairs

The Senate added \$1 million for the Massachusetts Emergency Food Assistance Program (MEFAP) that provides funding to food banks in Massachusetts.

Judiciary

The Senate added \$2 million for the Massachusetts Legal Assistance Corporation (MLAC) that provides legal advice and information to the indigent.

Other

The Senate added \$2 million in funding to support the 2020 Census to ensure an accurate population count.

Policy Sections

The Senate budget, like the House budget, is remarkable for the relatively small number of new policy provisions it contains. A total of 54 policy amendments were adopted, including 30 that modify current laws or regulations, 3 clarify laws or regulations, and 21 require studies, add reporting requirements, or change the name of a place or object. Notable sections include:

Emergency Housing Assistance Program – The section raises the income threshold for qualifying for the emergency housing assistance program from 115% to 200% of federal poverty level.

Increased Assessment on Electric and Gas Companies – The statutory limit on charges to electric and gas companies is increased from 0.2 percent of intrastate operating revenues to 0.3 percent. This allows the Commonwealth to increase the charges on electric and gas companies in the wake of the natural gas pipeline explosion in September 2018.

Buy Local Seafood – The Senate adopted a section that requires any “Buy Local” food program sponsored by the Commonwealth to include information about locally harvested seafood.

Early Voting Reimbursements – The Commonwealth is required to defray the costs associated with early voting requirements.



Amputee Injury Trust Fund – The section establishes a surcharge of \$20 for any person reinstating their driver’s license after a third speeding conviction or fifth moving violation and credits the funds to an Amputee Injury Trust Fund to provide grants and services to such individuals.

Prevailing Wage for contracted cleaning and maintenance workers – The section requires the Commonwealth to include prevailing wage stipulations in contracts with businesses providing cleaning or maintenance services in state office buildings.

Community Preservation Trust Fund fees – The section increases the surcharges on recording fees from \$20 to \$50 and municipal lien certificate recording from \$10 to \$25. These funds are granted to cities and towns under the Community Preservation Act for historic preservation and other community beautification efforts.

Conference Considerations

The Senate budget highlights some of the major considerations to be addressed by the conference committee, including:

- Tax revenue assumptions. Fiscal 2019 tax collections have exceeded expectations by \$961 million through April 2019 and may end the fiscal year well above the estimates used to build the fiscal 2020 tax projections. As a result, policymakers are likely to revisit those tax assumptions as part of the conference committee process. As MTF has noted previously, it is likely that fiscal 2019 tax collections are largely the result of federal tax reform and one-time in nature. Revisions to the fiscal 2020 tax assumptions should be made with caution.
- Potential exposures. Both the House and Senate budget proposals underfunded certain spending accounts, such as ice and snow removal and legal services for the indigent. Both also use ambitious revenue assumptions for certain non-tax revenue sources, such as tax-related settlements and judgments. These potential exposures range between approximately \$254 million and \$280 million. If tax revenue estimates are upgraded, policymakers may choose to add additional funding for these items as in fiscal 2019 or they may choose to reserve funds for these purposes as was done in fiscal 2018.
- Education funding. Aligning the major investments in education included in the House and Senate budgets will be a critical component of the fiscal 2020 budget



and has major ramifications for Chapter 70, charter school reimbursements, student transportation, and early education programs. MTF has called for additional investments to be coupled with accountability provisions to link increased funding to results, such as closing the achievement gap. Policymakers may choose to consider further changes to education financing formulas in separate, stand-alone legislation.

Conclusion

With the adopted Senate budget, the Legislature now has the framework in place to establish a Conference committee and negotiate a budget for state fiscal year 2020.

The Senate budget is clearly an “education first” budget that focuses resources on the Chapter 70 funding formula while continuing to advance that body’s priorities on behavioral health, addressing the opioid crisis, and a host of other initiatives.

