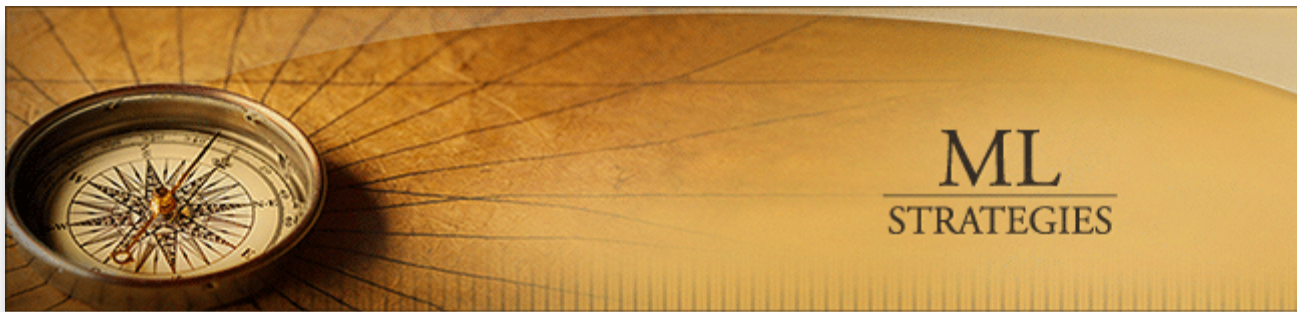




ML Strategies Alert

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ML Strategies FY 2015 Massachusetts Budget Update: The House Budget

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Earlier this year, ML Strategies offered an [overview of the Governor's FY 2015 budget](#) proposal. Now that the House of Representatives has passed its version of the FY 2015 spending plan, we provide an update on the budget process and an overview of the budget timeline. ML Strategies will continue to issue periodic updates regarding the process and politics shaping this year's budget.

House Budget Proposal

It was close to midnight on April 30, 2014 when the Massachusetts House of Representatives passed its spending plan for FY 2015. Over the course of three days' debate, the House dispensed with 1,175 proposed amendments, grouping them into consolidated amendments. The House tacked on \$143.9 million to its initial \$36.2 billion budget, adding \$43.6 million in a major health and human services amendment, \$16 million for education and local aid, \$17.8 million in a labor and economic development amendment, and \$18 million for social services and veterans.

The House passed by amendment a number of programs and projects, including a two-month tax amnesty program and a one-time payment to Somerset to make up for the planned closure of the Brayton Point power plant. Budget highlights include:

Health Reform

- The House added by amendment \$22 million to restore inpatient and outpatient adjustments for disproportionate share hospitals, a provision that had been included in the FY 2014 budget, but was initially excluded from the Governor's and the House Ways & Means' 2015 plans.
- The House rejected amendments that would have reversed the improvements made to the so-called pharmaceutical and medical device gift ban law and one that would strike the provision that eliminated the sunset in co-pay assistance.
- During debate, the House added language to require the Executive Office of Health and Human Services to review and report on the financial impact of the delays in implementation of the Affordable Care Act due to the technical malfunctions of the Health Connector website.

Public Health & Human Services

- In response to the Commonwealth's opioid addiction problem, which the Governor declared a public health emergency, the House provided new funds to combat substance abuse and addiction, increasing funding by \$6.3 million over FY 2014 to a total of \$100 million.
- The House expanded by amendment the role of the drug formulary commission to develop a drug formulary of abuse-deterrent opioids, and included multiple sections expanding the regulation and

monitoring of controlled substances, in addition to creating an Interagency Council on Substance Abuse and Prevention to expand and coordinate existing substance abuse programs across various state agencies.

- The House provided additional funding for child welfare, including funds to help the troubled Department of Children and Families, which has received scrutiny due to several child deaths and other case management issues. The House predicts that the funding bump, which is \$12.3 million over FY 2014, will enable the DCF to hire over 250 new workers to keep caseloads down.

Education

- The House adopted two amendments to increase the proposed appropriation for early education and care, bringing the total allocation to \$16.1 million over the current FY 2014 budget; however, the proposal is still \$14.2 million shy of the Governor's proposal.
- The House and Senate reached an agreement to increase local education aid, or Chapter 70 aid, by \$99.5 million, bringing the total funding to \$4.4 billion, which is reportedly the largest appropriation in the program's history, and is equal to the Governor's proposal.
- The House increased its initial funding for the University of Massachusetts, allocating \$531.1 million to the university, which could enable the second consecutive annual tuition and fee freeze.

Local Aid

- In line with the resolution that both the House and Senate passed in March, the House allocated more Unrestricted General Government Aid than the Governor did in his FY 2015 proposal — the Governor provided for flat funding, whereas the House plan increased funding for local aid by \$25 million over last year for a total of \$945.8 million, the largest figure since 2009.

Funding Sources

- The House budget draws \$140 million from the state's rainy day fund, the smallest amount in four years and less than the Governor's budget.
- As promised by House Speaker DeLeo, the House budget included no new taxes or fees.
- The House rejected Governor Patrick's move to apply the state sales tax to candy and soda as well as language to expand the state's bottle deposit law.

Senate Budget Proposal

Now that the House has passed its \$36.3 billion FY 2015 budget, the proposal is referred to the Senate Ways & Means Committee, which develops its own recommendations. The Senate plans a quick turnaround for the bill — committee members are scheduled to hold an executive session on Wednesday, May 14 at 11 a.m., with a press conference afterward to unveil their FY 2015 plan. Debate on the Senate budget will likely take place starting the week before Memorial Day weekend.

The FY 2015 budget will be the final one that Senate President Therese Murray and Chairman of the Senate Ways & Means Committee Stephen Brewer work on together: Senate President Murray faces a term limit in March 2015 and will not seek reelection, and Chairman Brewer will retire at the end of his term. Senate President Murray's heir apparent is Majority Leader Stanley Rosenberg, and it remains to be seen who will chair the Ways & Means Committee next year.

Conference Committee Budget

The differences between the House and Senate versions of the budget will be negotiated and resolved by a six-member conference committee. The House and Senate appoint three members each, typically the respective chairs of Ways & Means as well as the ranking majority and minority members of each committee. This conference committee meets privately to negotiate a final report, which could occur at any point during the remainder of the legislative session. Each branch will then vote to accept or reject the report of the conference committee. Once accepted in each branch by at least a two-thirds vote of approval, the bill is sent to the Governor.

Veto

The Governor has 10 days to review and approve the bill, or make vetoes or reductions. The Governor has line-item veto power within individual appropriations, which means that he may strike portions of language within specific items, in addition to reducing or eliminating funding. Outside sections — policy initiatives with a fiscal impact — appear at the end of the document. The Governor may approve outside sections, strike a section in its entirety, or return the section with an amendment. In any event, the goal is to complete this entire process by the end of the fiscal year on June 30.

The House and Senate may vote to override the Governor's vetoes. Overrides require a two-thirds majority in each chamber, and must be completed by the conclusion of the formal sessions on July 31.

If you have any questions about the FY 2015 Massachusetts budget process, please contact your ML Strategies government relations professional.

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