



ML Strategies Alert

FY2016 Massachusetts Budget Update: The Senate Budget

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On May 22, the Massachusetts Senate unanimously approved a \$38.1 billion budget for FY2016. The Senate budget hews closely to the spending plans proposed by the [Massachusetts House of Representatives](#) in April and [Governor Charlie Baker](#) in March.

The Senate spending plan emulates these two proposals in slowing the rise of state spending in response to the state's projected \$1.8 billion budget deficit. In total, the Senate budget increases spending by approximately 3.1 percent over FY2015 levels without drawing from the state's rainy day fund.

Over three days of debate, Senators dealt with 942 amendments filed to the budget proposed by the Senate Ways and Means Committee and its Chairwoman, Senator Karen Spilka, on May 12. After beginning the debate voting on each individual amendment, the Senate expedited the process by adopting 123 amendments and rejecting 213 amendments in successive votes.

With fiscal realities in mind, the Senate spending plan makes new investments in education, workforce development, and substance abuse prevention. Most notably, the spending plan expands the state's Earned Income Tax Credit, freezes the income tax rate at 5.15 percent, and puts the MBTA under the management of a fiscal control board. We outline the budget's highlights below.

Transportation

- After a contentious debate, the Senate unanimously approved an amendment that creates a five member control board to be given management authority over the MBTA for a minimum of three years and a maximum of five years. The board is required to meet at least three times per month and is composed of three members of the Massachusetts Department of Transportation board and two members with experience in transportation finance and mass transit operation. Governor Baker has made the creation of a control board the centerpiece of his broader MBTA reform plan. House Speaker Robert DeLeo recently declared his support for a control board.
- The Senate MBTA plan does not address Governor Baker's request for an exemption for the MBTA from the "Pacheco Law," which governs the privatization of public services.

Taxes

- By a 29 to 11 vote, the Senate approved an amendment that expands the state's Earned Income Tax Credit (EITC), increases the personal income tax exemption, and freezes the state's income tax at its current rate. This amendment would increase the EITC by 50 percent over three years to 22.5 percent of the federal credit. The average benefit for recipients of the EITC would jump from \$315 to \$470 annually and the maximum value would rise from \$937 to \$1,405. This expansion of the EITC

would cost the state about \$145 million per year in tax revenue.

- This tax amendment also increases the personal income tax exemption available for all taxpayers by \$400 to \$4,800 for individuals and by \$800 to \$9,600 for families regardless of income.
- Lawmakers propose to pay for the expansion of the EITC and the personal income tax exemption by freezing the state's income tax rate at 5.15 percent. The income tax is scheduled to decrease to 5.1 percent next year.
- The House of Representatives has asked the Supreme Judicial Court to weigh in on whether the Senate has the constitutional authority to make tax proposals in its budget. The House objects to provisions in the Senate budget that freeze the income tax rate and add a new tax on flavored cigars and smoking tobacco. The House and Senate disagree about whether a proposal in the House budget to increase a conservation land tax credit gives the Senate the authority to change tax laws in its budget.
- In an unusual maneuver, the Senate approved an amendment that would instruct the House-controlled Joint Committee on Revenue to study and restructure the film tax credit program with the goal of limiting costs and directing benefits to Massachusetts businesses and workers.
- The Senate rejected amendments that would abolish the "death tax" and establish college savings tax credits.

Health Care

- In order to balance the budget, the Senate adopted much of Governor Baker's plan to draw savings from MassHealth largely by deferring payments into FY2017.
- The Senate Ways and Means budget sets up the Center for Health Information and Analysis (CHIA) under a seven-member oversight council, while the agency largely maintains its independence. Governor Baker's plan and the House budget both place the CHIA within the Executive Office of Health and Human Services.
- The Senate rejected a proposed amendment that would fund a pilot program promoting the use of Accountable Care Organizations as a method for reducing MassHealth spending. The House budget included such an amendment and the issue will be decided by the conference committee tasked with reconciling the Senate and House budgets.
- The Senate rejected an amendment that would have appointed a special prosecutor to investigate the Massachusetts Health Connector, which is already the subject of a federal probe.
- Also rejected was a proposed amendment that would have required the Division of Insurance and the Department of Public Health to conduct a review of health insurance carrier practices which require certain categories of drugs, including those administered by injection or infusion, to be dispensed by a third party specialty pharmacy directly to a patient.

Public Health and Human Services

- The Senate budget provides funds to tackle the state's opioid addiction problem, including \$10 million to fund a range of treatment services, including detoxification, clinical stabilization, transitional support, residential services and outpatient treatment, \$5 million for more than 150 new clinical stabilization beds, and a bulk-buying program that would allow municipalities to purchase an overdose-reversing drug at discounted rates.
- The Senate unanimously adopted a proposal that would require pharmacies to report opioid drug purchases to a statewide Prescription Monitoring Program within a day. The goal of this proposal is to prevent addicts from fulfilling one prescription at multiple pharmacies.
- Senators unanimously approved an amendment allocating up to \$6.3 million to expand eligibility for

subsidized home care. The amendment, proposed by Senator Barbara L'Italien, increases the eligibility limit for home care assistance from around \$27,000 per year to \$35,000 per year. Home Care industry officials applauded the passage of the amendment, which they claim will enable more seniors to avoid nursing home care.

Education & Local Aid

- Funding for Chapter 70 education aid rises to \$4.5 billion, an increase of more than \$100 million over FY2015 levels.
- Appropriations for Unrestricted General Government Aid (UGGA) increase to nearly \$1 billion. Cities and towns can use UGGA for any municipal purpose, including investments in public safety, education, health care, and infrastructure.
- State universities and community colleges receive a funding increase of \$19.7 million over FY2015 levels, including an \$18.8 million boost for the University of Massachusetts.
- The Senate increased funding for accounts within the Department of Early Education and Care. This includes \$12 million to reduce the waiting list for infants and toddlers for childcare services and \$14.8 million for the Children's Trust Fund Healthy Families program, which offers neonatal and post-natal home-visiting support for young parents.
- The Senate plan appropriates \$35.3 million for adult basic education services.

Workforce & Economic Development

- The Massachusetts Life Sciences Center, left unfunded in the Governor's and the House's budget proposals, receives \$15 million out of the FY2015 consolidated net surplus.
- The Senate proposes to fund the Department of Transitional Assistance (DTA) at a higher level than the House spending plan. This includes \$1 million for a Family Well-Being Plan Pilot program to promote the social and economic well-being of individuals exempt from the DTA work requirement due to a disability.
- The budget provides \$3 million for the Massachusetts Technology Collaborative and \$1.5 million for the Big Data Innovation and Workforce Fund, which promotes use of big data, open data, and analytics.
- The spending plan also allocates \$5 million for the Workforce Competitiveness Trust Fund, which trains unemployed and low-wage workers for high demand industries.
- The Senate rejected an attempt to delay the implementation of penalties in the [earned sick time law](#) that voters approved in November 2014.

Other Notable Provisions

- The Senate plan increases funding for the Trial Court and District Attorneys' offices.
- The Senate approved an amendment requiring the legislature to approve the appropriation of any state funds related to hosting the 2024 Olympics in Boston.

Next Steps

The Senate version of the budget will now head to a six-member conference committee led by Senator Spilka and the Chairman of the House Ways and Means Committee, Representative Brian Dempsey. They are joined by Representatives Stephen Kulik and Todd Smola and Senators Sal Dimonico and Vinny deMacedo. This committee will resolve the differences between the House and Senate versions of the budget and then return a final spending plan to each branch of the legislature for approval. The budget then goes to Governor Baker, who can either sign it

into law or veto parts or all of it.

ML Strategies will continue to monitor the budget process as we approach the start of the new fiscal year on July 1, and lawmakers further develop their spending plan for FY2016.

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