

House final budget proposes modest investments, no significant new revenue for FY 2020

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OVERVIEW

House amendments, April 26, 2019:

The House proposal for the Fiscal Year (FY) 2020 budget is most notable for what’s not in it: any transformative, new public investments.

The House added \$70.8 million to the FY 2020 House Ways and Means (HWM) Committee budget proposal in its amendment process. (After the HWM Committee releases its budget for FY 2020, House members propose and vote on amendments to the Committee proposal. Once the bill has been amended the House votes on a final version of its budget.) Many of these increases were for targeted spending on specific local projects throughout the state. The House did not, however, propose any substantial new revenues.

This report includes MassBudget’s highlights from both the HWM Committee proposal and the House amendments to that proposal. Funding for specific accounts can be tracked through our [Budget Browser](#).

House Ways and Means (HWM) Committee proposal, April 10, 2019:

The House Ways and Means (HWM) Committee kicked off the legislative budget process with its Fiscal Year (FY) 2020 proposal. Overall the Committee’s budget proposes modest increases in some areas, and reduces funding in others. Because the budget lacks any significant new revenue, our Commonwealth will go another year without making needed investments in important areas, including education, transportation, and affordable housing. Here are some key takeaways:

- While the Committee proposes slightly more funding for public elementary and secondary schools in FY 2020 than the Governor, the amount is still significantly less than a more comprehensive fix to the [outdated education funding formula](#). Further, the proposal does not lay out a long-term plan to overhaul the formula so schools can better serve all their students.
- The Committee proposes modest increases in some areas such as early education, programs to help low-income people afford rent, and services to help expand supports for youth with autism spectrum disorders. The proposal also includes some notable initiatives such as funding for community outreach to support a complete and accurate count in the upcoming 2020 Census, a pilot program to help reduce pregnancy-related deaths, and expansion of eligibility for the Medicare Savings Plan that would benefit low-income elders. (This last initiative was also included in the Governor’s proposal.)
- The Committee proposal, however, decreases funding in several areas below the current FY 2019 budget. For example, it includes less funding for the Regional Transit Authorities that serve Massachusetts residents, including those in Gateway Cities, who live outside the MBTA service area.
- Most notable is what is *not* in the HWM Committee proposal. The Committee budget does not include any substantial, new revenue sources. The additional tax revenues in the proposal come either from pre-existing sources that only recently have begun generating revenue (like taxes on recreational marijuana sales) or from proposed technical changes that would improve collections of existing taxes (like sales taxes due on online purchases). Meanwhile, several already-scheduled tax cuts and other revenue losses will take a significant bite out of revenue totals in FY 2020 and beyond – completely eliminating any gains from the additional revenue sources on which the HWM budget relies. Also notable is that most *additional* revenue in the proposed budget comes from a variety of consumption taxes, which hit low-income earners the hardest, and will make the state’s tax system more [upside-down](#) than it already is.

Members of House leadership have indicated that they would like to take a thoughtful approach toward raising new revenue – an effort they have said will take place separate from the budget process. Our state has many underfunded and unfunded short and long-term priorities and, without substantial new revenue, it will be challenging for lawmakers to make progress on these priorities. Even in a time of economic expansion and strong tax revenue growth, Massachusetts still has not moved the needle on reforming education funding, updating transportation infrastructure, and supporting people who can’t afford housing. While revenue growth for the current fiscal year (FY 2019) may yet meet earlier expectations of continued strong growth, official projections are for growth to slow markedly in FY 2020 without policy changes to increase revenue. New, substantial sources of

revenue will allow the Commonwealth to invest in core priorities when times are good, so we can ensure everyone has access to good quality of life – even when times are tight.

Like MassBudget’s previous analyses, this report takes a deep dive in several areas across the budget. More so than in past years, we focus on key stories. To compare funding between the HWM Committee proposal and the Governor’s FY 2020 proposal, or budgets from previous years for areas of the budget not included in our analysis below, please click on the following links to our [Budget Browser](#): [Child Welfare](#), [Disability Services](#), [Economic Development](#), [Elder Services](#), [Environment & Recreation](#), [Juvenile Justice](#), [Law & Public Safety](#), [Libraries](#), [Mental Health](#), and [Pensions](#).

REVENUE HIGHLIGHTS

House amendments, April 26, 2019:

For highlights from the House amendments, see the “Taxes” section of this report.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

The House Ways and Means (HWM) Committee’s Fiscal Year (FY) 2020 budget draws on multiple sources of revenue, both tax and non-tax, to bring the proposal into balance. All but one of these sources are also included in the [Governor’s budget proposal](#), though the Governor’s budget includes numerous additional tax proposals not included in the HWM budget. In total, the HWM budget calls for \$306.7 million in additional tax revenue, above and beyond the [Consensus Revenue Estimate](#), to fund FY 2020 priorities, as well \$163.5 million in additional, non-tax revenue.

The total, combined amount is \$470.2 million, \$390.0 million less than the \$860.2 million in additional revenue called for by the Governor.

As with the Governor’s budget proposal, some of the additional revenue in the HWM budget comes from recently-enacted tax changes (such as taxes on recreational marijuana and on short-term rental accommodations like Airbnb), and some from anticipated growth in already-enacted, non-tax sources (such as expanded casino resort gambling).

NOTABLE ADDITIONS TO FY 2020 REVENUE (\$ millions)	Governor	HWM
TAX REVENUES - TEMPORARY		
Sales Tax Acceleration	306.0	
Life Sciences Tax Credit Cap	5.0	5.0
<i>SUBTOTAL TEMPORARY</i>	<i>311.0</i>	<i>5.0</i>
TAX REVENUES - ONGOING		
Recreational Marijuana	132.5	132.5
Tax-Related Settlements & Judgments	50.0	100.0
Sales Tax Marketplace Reforms	41.7	41.7
Transient Accommodation/Room Occupancy	27.5	27.5
Tax on Opioid Gross Receipts	14.0	
Excise Tax on Vapor (Vaping) and E-Cigarette Products	6.0	
Withholding On Non-Residential Property Sales	4.0	
Sales Tax Integrity Measures	2.0	
Real Estate Transfer Tax Increase (separate legislation)	75.0	
<i>SUBTOTAL ONGOING</i>	<i>352.7</i>	<i>301.7</i>
TOTAL TAX REVENUES	663.7	306.7
NON-TAX REVENUES - ONGOING		
Expansion of Resort Casino Gambling	155.5	155.5
Casino-Based and Online Sports Wagering (separate legislation)	35.0	
Expanded Licensing of Recreational Marijuana Vendors	6.0	6.0

Increased Business Fees at Department of Public Utilities		2.0
TOTAL NON-TAX REVENUES	196.5	163.5
GRAND TOTAL NOTABLE ADDITIONS	860.2	470.2

The additional revenue included in the HWM and Governor’s budgets, however, would be offset by a number of already-scheduled tax cuts and other anticipated revenue losses.

These scheduled cuts include reductions in the personal income tax rate, the planned sunset of the temporary Supplemental Employer Medical Assistance Contribution, and an increase in the state’s Earned Income Tax Credit program (a successful, income-boosting tax credit program for low- and moderate-income working households -- see more discussion below). While these reductions already have been factored into budget writers’ revenue estimates (including both HWM and the Governor) – and thus do not create an unexpected hole in the FY 2020 budget – they nevertheless reduce the net revenue available in the coming fiscal year and beyond.

These reductions total \$472.7 million in FY 2020, eliminating the revenue gains (\$470.2 million) included in the HWM FY 2020 budget. In addition, unlike in FY 2018 – when tax revenue growth was unusually strong – and FY 2019 – during which collections also may prove strong – the Department of Revenue expects that tax revenue growth will slow markedly in FY 2020 (absent any new policies that would increase revenue), putting a strain on the Commonwealth’s ability to support essential services.

NOTABLE REDUCTIONS TO FY 2020 REVENUE (\$ millions)	Governor	HWM
TAX REVENUES		
Personal Income Tax Rate Reductions to 5.05%	(175.0)	(175.0)
Personal Income Tax Rate Reductions to 5.00%	(88.0)	(88.0)
Increase in State’s Earned Income Tax Credit Amounts	(65.4)	(65.4)
SUBTOTAL	(328.4)	(328.4)
NON-TAX REVENUES		
Sunset Supplemental Employer Medical Assistance Contribution	(161.3)	(144.3)
SUBTOTAL	(161.3)	(144.3)
TOTAL NOTABLE REDUCTIONS	(489.7)	(472.7)

For additional details, see “Revenue Details” section below. If you have questions, email info@massbudget.org with “Budget question” in the subject line.

EDUCATION

Early Education & Care

House amendments, April 26, 2019:

During floor debate on the Fiscal Year (FY) 2020 budget, the House added a total of \$1.1 million to [early education and care initiatives](#). This amount is 0.2 percent over the House Ways and Means proposal. The proposed increases in funding would support specific local early childhood services, home visiting programs, as well as the overall quality improvement efforts of the Department of Early Education and Care.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

Quality early education and care helps prepare our young children for success in school and allows them to thrive. Early education and care also provides critical support for working parents with young children, by offering safe and reliable care for kids while parents provide for their families.

Unfortunately, many kids, including many low-income kids and young children of color, are not currently benefiting from publicly-supported early education programs. For those who do qualify, the program quality is not always at the level necessary [because state reimbursement rates are insufficient to support competitive salaries that attract and retain well-qualified teachers](#). These challenges are compounded by the fact that [Massachusetts has the second highest child care costs in the nation](#). While these challenges hold our entire Commonwealth back, they have a particularly harmful effect on families of color who, due to historical barriers and discrimination, are more likely to be low-income and [less likely to have high levels of wealth](#) to fall back on to secure child care.

The House Ways and Means (HWM) Committee’s Fiscal Year (FY) 2020 budget proposal allocates \$674.3 million to early education and care, a \$24.6 million (four percent) increase over current FY 2019 levels. The proposal would make several investments in additional services for kids and in early childhood quality measures. About half of existing early education programs would continue at or around current levels.

There have been significant, long-term cuts in early education and care since state tax cuts in the late 1990s and early 2000s. Funding for early education and care in the HWM FY 2020 budget is \$103.7 million (13 percent) below what was available in FY 2001, adjusting for inflation (see chart below). For information on funding for all early education budget items going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

K-12 Education

House amendments, April 26, 2019:

During floor debate on the Fiscal Year (FY) 2020 budget, the House added a total of \$4.4 million to K-12 grant programs, an increase of 0.6 percent above the House Ways and Means (HWM) proposal. While some of the education amendments supported specific local projects, they also increased funding for several programs, including:

- Creating new budget items for promoting **Civics Education** (\$1.0 million) and **Career-Technical Education** (\$500,000).

- Expanding [After School and Out-of-School](#) programs to \$4.7 million, 32 percent above the HWM proposal. This includes both an increase to the core program as well as grants to specific local after school providers.
- Increasing [Early College Programs](#) to \$2.0 million, 14 percent above the HWM proposal.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

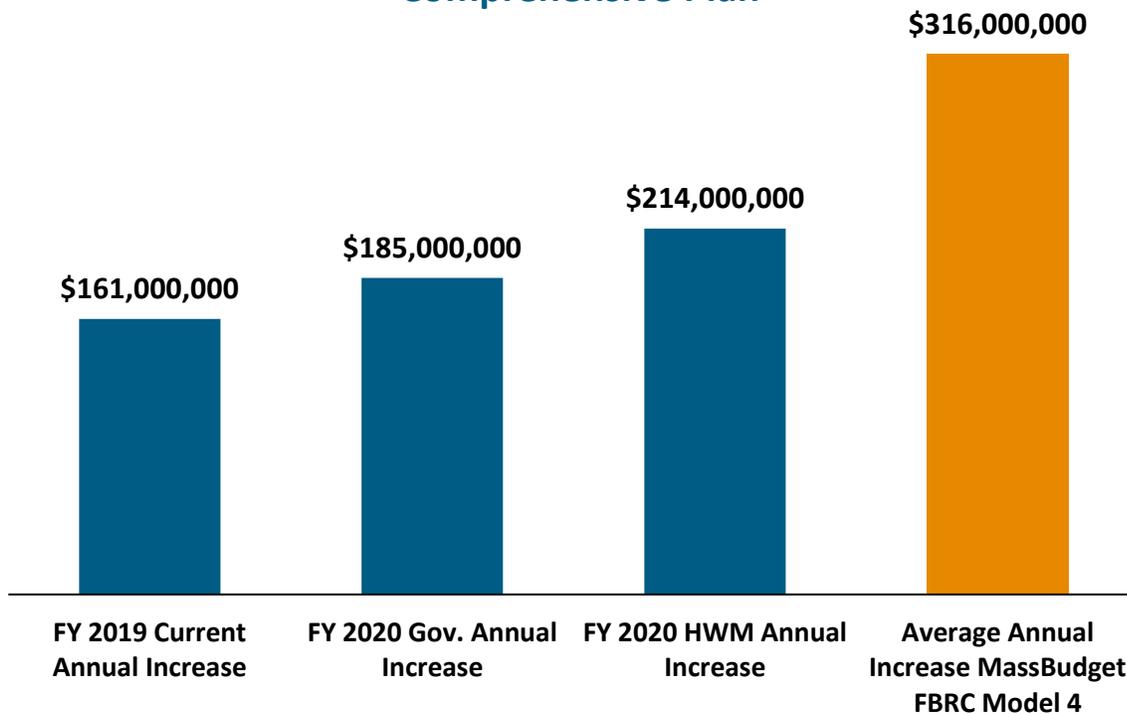
Providing an excellent education to all children in Massachusetts supports future generations while contributing to a strong, knowledge-driven economy. Chapter 70 education aid is the main program for delivering state support to local districts across Massachusetts and ensuring that schools have sufficient resources to serve all students.

Chapter 70 aid can play a unique role in expanding opportunities in under-resourced schools across the state. Generally, lower-wealth communities can raise less local revenue for education and have less per-capita resources to invest in education compared to affluent communities. For a variety of reasons, including historic barriers and discrimination, students of color are disproportionately concentrated in low-income school systems and are particularly affected by their communities’ lack of resources and academic support.

For example, in 2018-2019, the top 15 urban districts with the most low-income students (including Boston, Springfield, and Worcester) only account for 24 percent of all enrollment statewide, but educate roughly 45 percent of all students of color and low-income kids, in addition to 58 percent of all English Learners (see [the Department of Elementary and Secondary Education School and District Profiles](#)). For further background on the state’s education system and the path forward to greater support for our students, see [Demystifying the Chapter 70 Formula](#), [State of Black Massachusetts](#), and [Building an Education System That Works for Everyone](#).

The House Ways and Means (HWM) Committee’s Fiscal Year (FY) 2020 budget proposal would increase **Chapter 70 Aid and Reserves** by \$213.5 million (4.3 percent) to \$5.14 billion. This increase is 0.6 percentage points higher than projected Chapter 70 inflation for FY 2020. This total includes \$10.5 million in a Chapter 70 related reserve within a new line item for **Low-Income Student Support**. The remainder of this program (\$6.0 million) would support grants to enhance school services for economically disadvantaged children. Overall this increase, while slightly more than the Governor’s FY 2020 proposal, is significantly less than a more comprehensive fix to the formula, such as the comprehensive five-year simulation of the Foundation Budget Review Commission recommendations (FBRC) created by MassBudget (see chart and discussion below).

Annual Chapter 70 Increases in FY 2020 Gov. and HWM Budget Proposals Significantly Less than More Comprehensive Plan



Statewide Chapter 70 Aid/Reserves increase over prior year, FY 2019 current budget, FY 2020 Governor’s proposal, FY 2020 HWM proposal, MassBudget simulation (Model 4, 5-year phase-in)

The HWM Committee FY 2020 budget continues modest steps to implement the recommendations of the 2015 FBRC. The FBRC found that the Chapter 70 system and many schools across the state are significantly under-resourced relative to the Commonwealth’s estimate of the costs of educating children, called the “foundation budget.” This underfunding limits the capacity of schools across the state to help all children succeed, particularly those that educate a high proportion of disadvantaged students.

Over the past two years, the state has begun implementing some of the changes recommended by the FBRC. The HWM FY 2020 budget addresses the four main areas of the foundation budget highlighted by the FBRC in a modest way. These areas include health care, special education, support for low-income students, and support for English Language Learners (ELL). Across these areas, the HWM FY 2020 Chapter 70 proposal:

- Provides additional, per-pupil funding between \$9 to \$79 above the inflation rate (0.2 to 2.0 percent increases from current levels) for the top half of districts with the largest concentration of low-income students. All other districts would receive a standard inflation increase for low-income students. This results in a maximum of \$4,200 extra in the foundation budget for low-income kids, up modestly from \$4,000 in FY 2019. This change to low-income rates is significantly less impactful than moving towards the maximum of roughly \$8,400 proposed by the FBRC.

- Moves the rate for out-of-district special education students towards the goal of three times the statewide per-pupil average, increasing this rate to \$29,600 in FY 2020 (up eight percent).
- Increases the allotments for employee benefits, including health insurance, closer to the goal of matching what the Group Insurance Commission pays for state employees. Overall, this increases health benefit rates by roughly 5.8 to 10.7 percent in FY 2020 depending on grade level, with further increases for disadvantaged kids.
- Expands the allotments for ELL students, like the Governor, including a particular emphasis on high school ELL students who gain a rate increase of 87 percent compared to roughly 16 percent for elementary and middle school ELL students). Unlike the Governor's FY 2020 proposal, it does not appear that the HWM proposal alters how ELL student enrollment is calculated.

Outside of Chapter 70, the HWM FY 2020 budget would increase overall K-12 grant programs by \$33.0 million (5 percent) over current FY 2019 levels. The HWM proposal does not include three K-12 related trust funds (for school improvement, safety initiatives, and clean drinking water) that were featured in the Governor's FY 2020 proposal.

The HWM FY 2020 budget provides \$113.0 million to [Charter School Reimbursements](#), \$23 million (26 percent) above current FY 2019 levels. Currently, when fully funded, this program is intended to reimburse 100 percent of changes in outgoing student funding from traditional districts to charter schools in the first year and 25 percent of this amount for each of the following five years.

An Outside Section of the Committee's FY 2020 budget would frontload reimbursements for three years along a 100 percent, 60 percent, 40 percent schedule. Additionally, this proposal would alter how charter tuition changes are tracked, away from looking at change between FY 2019 and FY 2020, and instead looking at FY 2020 enrollment compared to the five-year historical high point.

Depending on the specific pattern of how charter enrollment has changed across the state over the past five years, districts may fare differently under this change. While the Committee proposes to fund this account at \$23 million (26 percent) above current FY 2019 levels, the overall scope of the reimbursement formula itself would be reduced – moving from \$160.4 million when fully funded in FY 2019 under the current formula, to \$137.2 million when fully funded for the revised FY 2020 formula, a reduction of 14 percent. An additional provision in the same Outside Section would likely provide extra reimbursement funding to districts in the lowest performance tier in the state accountability system who also receive less than the statewide average in Chapter 70 aid as a share of their foundation budgets.

The Department of Elementary and Secondary Education projects that current funding levels only support 56 percent of the amount called for by the existing charter school reimbursement formula, leaving a \$70.4 million gap. This underfunding means that only some of the first-year, outgoing student funding has been reimbursed by the state to districts in FY 2019, with no reimbursements available for students who left in any of the prior years. With the proposed additional aid in the HWM FY 2020 budget, gaps would likely be mitigated somewhat depending on how many additional charter school seats are added this year and given the historical trends in charter enrollment. It appears (based on projections from a similar budget provision from Governor Baker) that the revised smaller formula would be 82 percent funded in the HWM FY 2020 proposal.

The HWM FY 2020 budget would create new accounts for supporting **Computer Science Education** (7010-1202, \$1.0 million) **Student Wellness Supports** (7061-9650, \$2.0 million) and **Regionalization Grants** (7061-9809, \$500,000).

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

Higher Education

House amendments, April 26, 2019:

During floor debate on the Fiscal Year (FY) 2020 budget, the House added a total of \$2.2 million in [higher education funding](#), an increase of just 0.2 percent above the House Ways and Means (HWM) proposal.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

Higher education is an important factor in the success of our Commonwealth. Adequate state funding for higher education helps ensure that its benefits are broadly available to all who want to pursue a degree or credential beyond high school. Insufficient state funding, on the other hand, leaves students and their families facing higher tuition and debt, and threatens to put higher education – and the opportunities it offers – beyond the reach of those who cannot afford it.

The House Ways and Means Committee (HWM) is proposing a Fiscal Year (FY) 2020 budget of \$1.27 billion, a four percent increase over the current FY 2019 budget.

State funding for public higher education in Massachusetts [dropped 32 percent per student](#), adjusted for inflation, from FY 2001 through FY 2018 (the most recent year for which we have enrollment figures). These funding cuts followed a [series of state tax cuts in the late 1990s and early 2000s](#), the benefits of which have gone overwhelmingly to the state’s highest-income taxpayers. These tax cuts now cost Massachusetts more than \$4 billion dollars a year in lost revenue and hinder our ability to fund higher education and other priorities.

State budget cuts to higher education have resulted in sharp increases in tuition and fees, which in turn have led to some of the fastest-rising student debt in the nation. The Committee’s FY 2020 proposal is 11 percent below FY 2001 levels, after adjusting for inflation, and does not meaningfully reverse these trends. This drop from FY 2001 would be even greater on a per-student basis after accounting for the fact that even as funding declined, enrollment increased. For information on funding for all higher education budget items going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

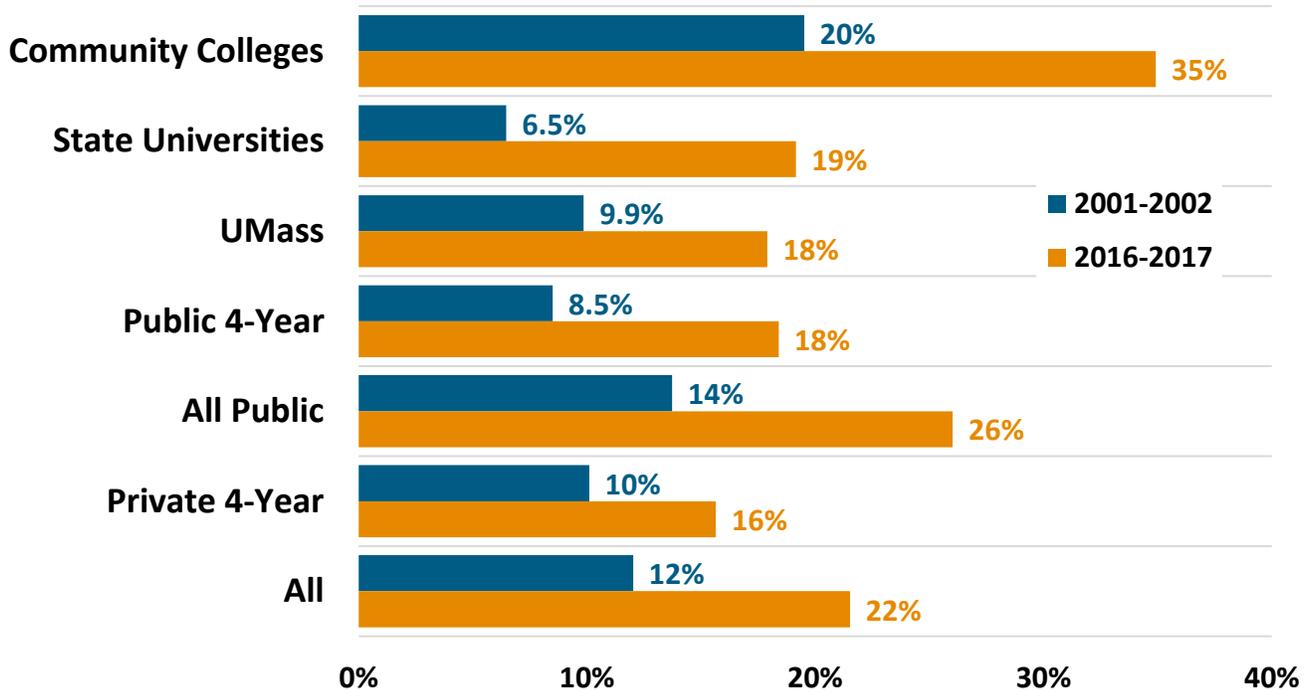
The effects of this reduced funding fall on a student body that is [increasingly Black and Latinx](#). Access to higher education depends in large part on access to wealth, and access to high-quality and well-funded early, elementary, and secondary education. Both factors are interrelated, and they continue to be marked by racial inequality. They are also related to historic and present-day inequalities in access to housing and good jobs.

So state funding cuts to higher education have important implications for racial equity in Massachusetts. The combined Black and Latinx share of undergraduate enrollment at our state universities and University of Massachusetts more than doubled from 8.5 percent in the 2001-2002

academic year to 18 percent in 2016-2017. At state universities, Black and Latinx enrollment shares nearly tripled, from 6.5 percent to 19 percent. Black and Latinx enrollment shares at community colleges nearly doubled, from 20 percent to 35 percent. (See chart.)

Higher Ed is Becoming More Diverse, Especially *Public* Higher Ed

Combined Black/African American and Hispanic/Latinx Shares of Undergraduate Enrollment in MA, by Segment, 2001-2002 and 2016-2017



Source: MassBudget analysis of U.S. Department of Education College Scorecard data

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

HEALTH

MassHealth (Medicaid) and Health Reform

House amendments, April 26, 2019:

The Massachusetts House adopted \$5.4 million in amendments to the Fiscal Year (FY) 2020 budget proposal for [MassHealth and Health Reform](#), bringing the total proposed funding to \$17.69 billion. The final House budget also added language to direct funding to specific health care providers, and regulate MassHealth drug pricing. The amendments include:

- \$5.0 million more for supplemental rates for nursing homes (see below), bringing the total increase to \$35.0 million more than the FY 2019 total.
- \$400,000 in additional funding directed to several specific health care providers, as well as language directing \$3.0 million in supplemental payments to pediatric providers for the costs of highly complex pediatric care.

- Language providing additional procedures for the Health Policy Commission to follow in monitoring prescription drug pricing prior to initiating the process to develop a proposed supplemental rebate (see below).

MASHEALTH (MEDICAID) AND HEALTH REFORM					
	FY 2019 Current Budget	FY 2019 Estimated Spending	FY 2020 Governor	FY 2020 HWM	FY 2020 House
MassHealth (Medicaid)					
MassHealth Programs	16,358,817,944	16,528,513,972	16,538,785,380	16,568,785,380	16,573,785,380
MassHealth Administration	161,535,714	161,138,321	164,566,936	164,566,936	164,966,936
Subtotal	16,520,353,658	16,689,652,293	16,703,352,316	16,733,352,316	16,738,752,316
Spending to Trusts					
Medical Assistance Trust	586,600,000	586,600,000	481,260,000	481,260,000	481,260,000
Safety Net Provider Trust	167,640,000	167,640,000	165,100,000	165,100,000	165,100,000
Subtotal	754,240,000	754,240,000	646,360,000	646,360,000	646,360,000
Other Health Subsidies					
Commonwealth Care Trust	127,701,982	116,456,444	116,456,444	116,456,444	116,456,444
Prescription Advantage	16,939,784	16,947,199	15,101,313	15,101,313	15,101,313
Subtotal	144,641,766	133,403,643	131,557,757	131,557,757	131,557,757
Other Administration and Operations					
Center for Health Info. & Analysis	28,474,170	28,586,496	28,031,406	27,831,406	27,831,406
Information Technology	129,189,675	130,372,865	134,036,256	117,919,685	117,919,685
Health Connector Operations	16,775,216	16,775,216	15,000,000	15,000,000	15,000,000
Health Policy Commission	9,319,931	9,319,932	9,003,931	9,536,682	9,536,682
Other Health Finance	1,210,793	1,210,793	1,060,793	1,060,793	1,060,793
Subtotal	184,969,785	186,265,302	187,132,386	171,348,566	171,348,566
TOTAL	17,604,205,209	17,763,561,238	17,668,402,459	17,682,618,639	17,688,018,639

House Ways and Means (HWM) Committee proposal, April 10, 2019:

The Commonwealth subsidizes health insurance for over two million people, including just under half the state’s children. Massachusetts leads the nation in health care insurance coverage rates, thanks, in part, to this publicly-funded health insurance through the state’s Medicaid program (MassHealth) and through subsidized private insurance at the Health Connector. Nevertheless, some groups continue to face greater barriers to health insurance. The uninsured in Massachusetts are disproportionately male, single adults without children, Latinx, and with relatively low incomes. This [suggests](#) that many of these uninsured may, in fact, be eligible for the state’s publicly-subsidized health insurance. MassHealth and other publicly-supported insurance programs funded through the state budget are important ingredients for eliminating these coverage disparities.

In addition to funding health insurance for individuals, the state budget funds payments to health providers — such as hospitals that serve large numbers of low-income patients and nursing homes — to help pay for care provided to low-income patients.

The MassHealth program is funded by a combination of state and federal revenues. Although there is some variation, overall, the federal government reimburses the state for more than 50 percent of spending on MassHealth. MassHealth as presented in the budget (the “gross” spending amount) is significantly more than the actual “[net](#)” cost to the state, taking into account this federal reimbursement.

Both the House Ways and Means (HWM) Committee and Governor’s Fiscal Year (FY) 2020 budget include two major health reform initiatives. To address the state’s increasing spending on prescription drugs within MassHealth, both propose new systems for negotiating and monitoring the costs of these drugs. Like the Governor’s budget, the HWM budget proposes that the Administration directly negotiate drug prices for select high-cost drugs. If negotiations are not successful, the HWM budget lays out a process for public hearing on the cost and effectiveness of the drug in question, as well as review by the Health Policy Commission. HWM estimates this would save approximately \$28 million.

The other major reform included in both the HWM Committee and Governor’s budgets is expansion of eligibility for the Medicare Savings Plan, which would benefit about 40,000 low-income elders in Massachusetts. The proposals expand eligibility for elders in two ways: increasing the program’s income threshold by 30 percentage points (bringing the eligibility threshold up to 165 percent of the federal poverty level) and doubling the eligibility asset limit. Following the Governor’s proposal, the HWM budget assumes that the cost to the state of expanding eligibility for the program would be approximately \$30 million, which would likely amount to about \$4 million after accounting for federal reimbursement. The HWM Committee budget anticipates a 10.9 percent reduction in funding for the Prescription Advantage program as more elders become eligible for the more generous Medicare Savings Plan.

The HWM Committee proposes several other changes in the MassHealth program:

- HWM adds \$30 million to appropriations to support nursing homes. The budget also includes language directing the Administration to convene an emergency task force to review the financial stability of the industry in order to ensure that nursing homes provide quality care for residents and quality jobs for their workforce.
- HWM adds language creating a phone number within the specialty courts to facilitate participants’ enrollment in MassHealth and other benefits.
- HWM adds language requiring a report on coverage for oral health for adults on MassHealth.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

MASSHEALTH (MEDICAID) AND HEALTH REFORM					
	FY 2019 Current Budget	FY 2019 Estimated Spending	FY 2020 Governor	FY 2020 HWM	Notes
MassHealth (Medicaid)					
MassHealth Programs	16,358,817,944	16,528,513,972	16,538,785,380	16,568,785,380	
MassHealth Administration	161,535,714	161,138,321	164,566,936	164,566,936	
Subtotal	16,520,353,658	16,689,652,293	16,703,352,316	16,733,352,316	
Spending to Trusts					

Medical Assistance Trust	586,600,000	586,600,000	481,260,000	481,260,000	Timing of funding to Medical Assistance Trust does not align with fiscal year
Safety Net Provider Trust	167,640,000	167,640,000	165,100,000	165,100,000	
Subtotal	754,240,000	754,240,000	646,360,000	646,360,000	
Other Health Subsidies					
Commonwealth Care Trust	127,701,982	116,456,444	116,456,444	116,456,444	
Prescription Advantage	16,939,784	16,947,199	15,101,313	15,101,313	
Subtotal	144,641,766	133,403,643	131,557,757	131,557,757	
Other Administration and Operations					
Center for Health Info. & Analysis	28,474,170	28,586,496	28,031,406	27,831,406	
Information Technology	129,189,675	130,372,865	134,036,256	117,919,685	
Health Connector Operations	16,775,216	16,775,216	15,000,000	15,000,000	
Health Policy Commission	9,319,931	9,319,932	9,003,931	9,536,682	
Other Health Finance	1,210,793	1,210,793	1,060,793	1,060,793	
Subtotal	184,969,785	186,265,302	187,132,386	171,348,566	
TOTAL	17,604,205,209	17,763,561,238	17,668,402,459	17,682,618,639	

Public Health

House amendments, April 26, 2019:

The Massachusetts House adopted \$7.3 million in amendments to the Fiscal Year (FY) 2020 budget proposal for [public health programs](#), bringing the total proposed funding to \$699.7 million. The House added a total of \$2.5 million for substance use prevention and treatment through its amendment process. These include:

- \$1.9 million in [grants for substance use programs](#) to provide prevention, intervention, and recovery services. This amount is half of current (FY 2019) funding levels. The Governor did not propose funding for this account.
- An additional \$500,000 (19.2 percent) for [Recovery High Schools](#), bringing this account to a total of \$3.1 million for the House FY 2020 budget proposal. There are five recovery high schools in Massachusetts, which help young people recover from alcohol or drug use while completing their education. The proposed total is the same as current (FY 2019) funding levels.

The House also proposed an additional \$1.9 million to [Youth At-Risk Matching Grants](#), which help fund programs addressing gang violence, sexual violence, teen dating issues, bullying, and suicide.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

The Department of Public Health (DPH) oversees a range of prevention and treatment services, works to improve access to health care, and addresses social factors that shape a community's well-being. The House Ways and Means (HWM) Fiscal Year (FY) 2020 budget proposal includes \$692.4 million for public health programs — two percent more than current FY 2019 budget totals. (For information on funding for all public health programs going back to FY 2001, see the [Budget Browser](#).)



Initiative to reduce pregnancy-related deaths

The HWM proposal also creates a two-year pilot program aimed at **reducing pregnancy-related deaths and improving pregnancy outcomes**.

This follows revelations that mothers in the United States are more likely to die or suffer from pregnancy-related complications than in other high-income countries, according to the World Health Organization. While the rate of pregnancy-related deaths in Massachusetts remains below the national average, a [Department of Public Health inquiry](#) found that pregnancy-related deaths affected by substance use were on the rise. Most of these were related to opioids.

The report found that most of these substance use-related deaths occurred between six weeks and a year after delivery, and the report notes that mothers need support during the stressful postpartum period. The DPH report also recommends better coordination between substance use treatment providers, obstetric providers, and other support services including [Early Intervention](#) and [mental health services](#).

The story of rising opioid deaths in Massachusetts is a complex one. Opioid-related deaths have soared in recent years and there are [myriad factors likely driving the crisis](#). Some possible explanations include the growing availability of fentanyl (an opioid) around New England states and difficult economic conditions.

Regulation of electronic cigarettes

Unlike the Governor's budget proposal, the HWM Committee does not propose to tax electronic cigarettes and "vapor products" (popularly known as "e-cigarettes" and "vape pens") at the same rate as other tobacco products.

Officials and parents have expressed particular concern regarding e-cigarettes and vape pens because they currently are not subject to the tobacco excise tax and are marketed in ways that are appealing to teenagers and young adults. Almost 45 percent of Massachusetts high school students surveyed recently said they had used an e-cigarette or vapor product at one point and close to 24 percent said they had used one in the past month.

School-Based Health

The Committee proposal includes \$11.8 million for [School-Based Health Programs](#), eight percent less than current FY 2019 budgeted totals. This funding covers a range of services such as tobacco use prevention and cessation, as well as efforts to reduce the obstacles to health affecting gay, lesbian, bisexual, transgender, queer, and questioning youth. (In FY 2019, a small portion of this funding went to the school-based **Bridge programs** that help students transition back to school following prolonged absences caused by hospitalization for physical or mental health. The Committee’s FY 2020 budget language does not name the Bridge program specifically.)

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

HOUSING

House amendments, April 26, 2019:

During its floor debate on the Fiscal Year (FY) 2020 budget the House added \$2.6 million in funding for housing for a total of \$496.4 million. Of this amount the majority (\$1.9 million) of the money added by the House is proposed for targeted spending on specific local **housing and homelessness assistance projects** located throughout the state.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

Making sure that Massachusetts has an adequate supply of affordable housing for low- and moderate-income adults and children can help improve the health and quality of life of the Commonwealth’s residents while also investing in our state’s long-term economic success. Because of high costs, particularly in Greater Boston, housing claims a large portion of incomes earned by both renters and homeowners. According to the 2017 [Greater Boston Housing Report Card](#) more than half of renters and one third of homeowners are cost-burdened, meaning they pay more than 30 percent of their incomes in housing costs.



The state funds housing programs that help people earning low incomes to afford permanent housing and provide shelter and short-term housing assistance to families, children, and individuals, including youth, who are homeless or at risk of homelessness.

The House Ways and Means (HWM) Committee budget for Fiscal Year (FY) 2020 proposes \$493.8 million for affordable housing and homelessness assistance programs across the budget, \$3.6 million above the Governor’s proposal. For information on funding for all housing budget items going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

The HWM Committee proposal is \$27.5 million below the FY 2019 current budget largely because it does not include \$30 million that the Legislature provided the winter of 2019 to supplement the federal Low Income Home Energy Assistance Program ([LIHEAP](#)). This program, which helps low-income people pay utility bills, is largely funded through the federal budget. In some years, if it appears that

the federal funds are insufficient to provide adequate assistance, the Legislature will approve supplemental state funds, often in the winter months when the aid is needed rather than at start of the fiscal year in July.

For affordable housing programs, the HWM Committee proposes \$215.8 million which is \$10.8 million more than both the FY 2019 current budget and the Governor's proposal. The HWM Committee budget increases funding for two of the largest affordable housing programs: the Massachusetts Rental Voucher Program (MRVP) and subsidies for public housing authorities. The HWM Committee proposes a \$10.0 million (10 percent) increase above the FY 2019 budget, which is more than the Governor's FY 2020 proposal for [MRVP](#) to \$110.0 million. In recent years the state has increased funding for MRVP to help provide permanent housing assistance to very low-income, homeless families moving out of state-supported shelters. Currently the state has leased about 8,400 MRVP vouchers, which is still well below the almost 15,000 vouchers leased in 1993. It is unclear whether the HWM Committee's proposed increase will allow the state to create a significant number of new vouchers in FY 2020 to help low-income renters.

The HWM Committee recommends increasing funding for [local housing authorities](#) by \$6.5 million or 10 percent above the FY 2019 current budget. Between FY 2008 — the start of the Great Recession — and FY 2019, state support for public housing through the budget has fallen by 16 percent after adjusting for inflation.

The HWM Committee also proposes increasing fees at the Registry of Deeds to support the **Community Preservation Trust Fund**. Please see the Local Aid section for a discussion of this proposal.

More than half of the state's housing budget funds shelter and assistance to families, adults and youth who are homeless or at risk of becoming homeless. The HWM Committee recommends \$278.0 million for this assistance. The HWM Committee proposes \$165.7 million for the [Emergency Assistance](#) (EA) program, \$12.2 million below the Governor's FY 2020 proposal. In documents accompanying its budget, the Governor's office noted its proposal would fully fund the program for FY 2020. Because EA provides services to low-income, homeless families who qualify for shelter, if the state runs out of funds before the end of the fiscal year, the Legislature will have to provide supplemental funding. As of October 2018, more than 3,600 families were living in EA shelters.

The HWM Committee recommends \$20.0 million in funding for [Residential Assistance for Families in Transition](#) (RAFT) which provides one-time funding to low-income people at risk of losing their housing and becoming homeless. Like the Governor's proposal, the HWM Committee provides \$15.3 million through the operating budget and the remaining \$4.7 million from the Housing Preservation and Stability Trust Funds (HPSTF).

For additional questions, email info@massbudget.org with "Budget question" in the subject line.

HUMAN SERVICES

House amendments, April 26, 2019:

The House budget debate resulted in modest increases for several human services programs, while leaving most others unchanged from the House Ways and Means Committee's (HWM) proposal. Altogether the House added \$5.4 million in proposed spending for human services. Some of the notable amendments include:

- [Grants to Councils on Aging](#) were increased by \$1.5 million, 9.4 percent over the HWM Committee’s proposal. Councils on aging are local centers for seniors which provide support to elders, acting as advocates and offering activities and other services.
- Additionally, funding for the [Elder Nutrition Program](#) was increased by \$750,000, 8.4 percent higher than the HWM Committee’s proposal. This program provides healthy meals, screenings, education, and counseling for seniors.
- [Veteran’s Outreach Centers](#), which advocate for and provide supports to veterans, received an increase of \$605,000 in funding, 11.4 percent over the HWM Committee’s proposal. Funding in this account also includes homeless shelters that serve veterans.
- Funding for the Office of Refugees and Immigrants’ [Low-Income Citizenship Program](#) was increased by \$100,000, or 12.5 percent higher than the HWM Committee’s proposal.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

Human services include an array of programs to promote the well-being of children, seniors, veterans, people with disabilities, and others across Massachusetts. The House Ways and Means (HWM) Committee’s Fiscal Year (FY) 2020 budget proposal would fund these supports at \$4.81 billion. For information on funding for all individual human services budget items going back to FY 2001, see MassBudget’s *Budget Browser* [here](#).

The HWM Committee’s FY 2020 budget proposal increases funding for [Transitional Aid to Families with Dependent Children](#) (TAFDC), which provides cash assistance to families with little to no income. This increase to \$204.5 million, which is 1 percent over current funding, also comes with several reforms to the program. One proposed reform would change existing regulations and not count the value of a single vehicle among assets in determining a family’s TAFDC eligibility, similar to what was included in the Governor’s proposal.



The proposal also includes language that prevents the Administration from including Supplemental Security Income (SSI) in the calculation of a family’s TAFDC benefits. This reform is related to another policy change: the bill to lift the “**cap on kids**” that prevents families from claiming cash assistance for children conceived or born after they began receiving aid. Debated in previous years’ budget proposals, the Legislature passed a bill lifting the cap this session. The Governor wanted that reform to also count SSI in the determination of TAFDC benefits and vetoed the Legislature’s approved bill because it did not include that language. The Legislature is expected to override the Governor’s veto. By lifting the cap, the state will allow over 9,000 children in low-income families to be included in the calculation of their families’ TAFDC benefits.

Notable in the HWM Committee’s proposal is increased investment into the Department of Developmental Services and its programs, which serve Commonwealth residents with intellectual and

developmental disabilities. For example, [Autism Omnibus Services](#), which expand the scope and quantity of supports available to youth under 21 with autism spectrum disorders, is funded at \$9.4 million, a 52 percent increase over FY 2019.

Additionally, the proposal includes substantially increased funding for the Office of Refugees and Immigrants' [Low-Income Citizenship Program](#) at about \$800,000, a 60 percent increase over FY 2019. The program helps legal permanent residents become citizens, with priority given to those with low incomes.

For additional questions, email info@massbudget.org with "Budget question" in the subject line.

LOCAL AID

House amendments, April 26, 2019:

The Massachusetts House adopted an additional \$1.7 million for the [Municipal Regionalization and Efficiencies Incentive Reserve](#) for targeted spending on specific local projects and programs.

For additional questions, email info@massbudget.org with "Budget question" in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

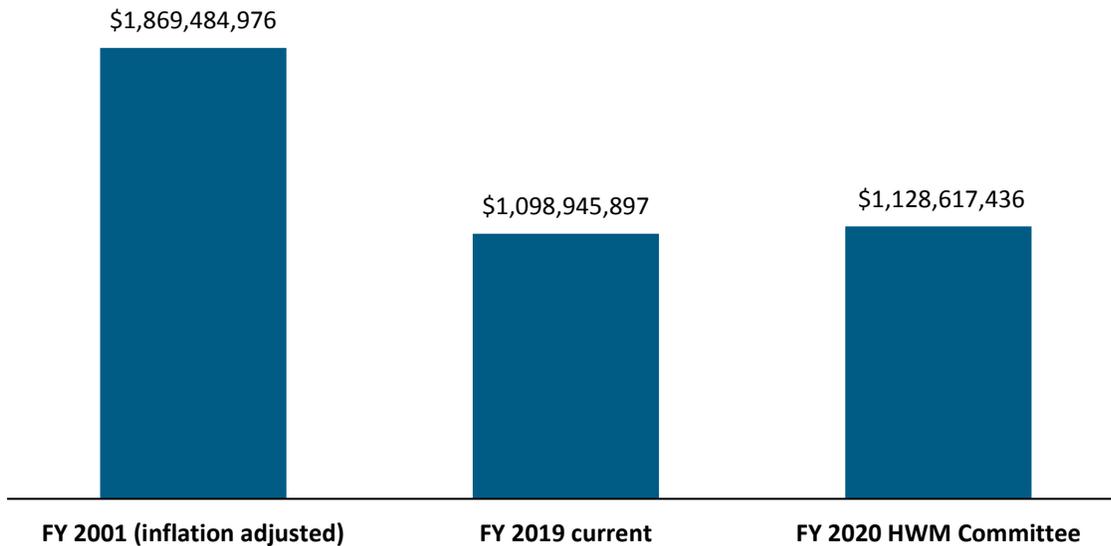
"Local aid" refers to money that flows from the state budget to city and town budgets, helping municipalities fund local services such as police and fire protection, parks, and public works. Some local aid has few restrictions on its use, while other aid goes to some cities and towns for specific purposes. Local aid for education is discussed in the Education section of this report. For information on funding for all Local Aid budget items going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

Massachusetts is made up of 351 separate city and town governments whose levels of wealth range widely. Yet each of them is charged with providing similar levels of vital public services. State government in Massachusetts uses **Unrestricted General Government Aid** to help less wealthy cities and towns provide local services that they couldn't otherwise support with their local property tax bases.

Following the Governor, the House Ways & Means Committee proposes to provide cities and towns with \$1.13 billion in Unrestricted General Government Aid in Fiscal Year (FY) 2020. This would be an increase of \$29.7 million over the FY 2019 amount, or 2.7 percent. It would be the smallest annual increase of any year since Governor Baker took office. Last year's budget provided a 3.5 percent increase over FY 2018.

The Commonwealth's capacity to fund general local aid has been hindered by a series of significant state-level tax cuts during the 1990's and 2000's. While over the past several years, general local aid funding has increased in step with or slightly above inflation, it still remains 40.0 percent below FY 2001 levels, when adjusted for inflation. Further adjusting for population growth during this time, the value of general local aid fell from \$287 per person in 2001 to \$159 per person in FY 2019.

General Local Aid Remains 40% Below Fiscal Year 2001 Levels



The HWM Committee also proposes to reduce funding by over two-thirds for the **Municipal Regionalization and Efficiencies Incentive Reserve**, from \$10.8 million to \$3.5 million. The reserve is targeted to several local grant programs and incentives to promote municipal best practices.

The HWM Committee also proposes, through Outside Sections 12 and 13 of its budget, to buttress the **Community Preservation Act (CPA) Trust Fund** by increasing some fees at the Registry of Deeds. Municipalities can vote for the targeted property tax increment to fund their own local account dedicated to preserving open space, restoring historical buildings, creating affordable housing, or developing outdoor recreation facilities. The CPA Trust Fund, which relies on State Registry of Deeds filing fees, provides state matching funds to these municipalities. During the first years of the CPA, after its approval in 2000, the state fund matched 100 percent of the revenue that municipalities raised themselves, but that portion has fallen steeply. The fund faces additional strains because 11 new municipalities, including Boston, recently adopted the CPA. According to an analysis by the Community Preservation Coalition, the HWM Committee proposal would raise about \$36 million for the CPA Trust Fund, which would increase the state match to cities and towns that have adopted the CPA to almost 30 percent.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

TRANSPORTATION

House amendments, April 26, 2019:

The Massachusetts House adopted an additional \$1.0 million for the state’s 15 **Regional Transit Authorities** (RTAs), bringing the total to \$87.0 million. This amount would be \$1.0 million less than current Fiscal Year (FY) 2019 spending.

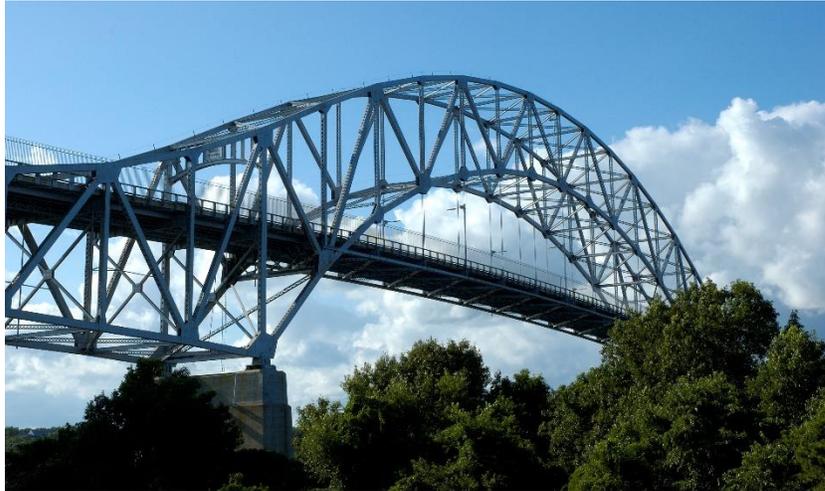
The House also added \$1.0 million to the **Massachusetts Transportation Trust Fund** for targeted spending on several local transportation projects.

For additional questions, email info@massbudget.org with “Budget question in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

The state supports an array of transportation systems including roads, bridges, rail, buses, airports, and ferries that enable people and goods to travel where they need to go. For information on all transportation items supported through the General Fund going back to Fiscal Year (FY) 2001, please see MassBudget's *Budget Browser* [here](#).

Like [the Governor's proposal](#), the House Ways and Means Committee (HWM) Fiscal Year (FY) 2020 budget would reduce support for **Regional Transit Authorities (RTAs)** to \$86.0 million, a decrease of \$2.0 million from FY 2019 levels.



The HWM Committee proposes \$343.9 million to support the **Massachusetts Transportation Trust Fund (MTTF)**, an amount that is \$18.0 million (5 percent) less than the Governor proposed and

\$50.8 million less than current FY 2019 spending. The MTTF contributes to highways, transit, intercity rail, small airports, the Massachusetts Turnpike, and the Motor Vehicle Registry. The MTTF receives funds from tolls, federal transportation sources, and the state's Commonwealth Transportation Trust Fund. Unlike the Governor, the HWM Committee proposal appears not to fully fund snow and ice control upfront. It instead continues the longstanding practice of annually funding snow and ice control below anticipated levels with the expectation that lawmakers will provide supplemental funding to the MTTF later in the year for clean-up from winter storms.

As usual, most support from the Commonwealth for transportation is transferred outside the budget process. The Commonwealth finances long-term capital investment projects such as reconstructing bridges or ordering new train vehicles by issuing bonds – that is, borrowing – and paying interest, principal, and other related costs over future years that are dictated by the bond agreements rather than negotiated as part of the budget process. A total of \$1.44 billion in FY 2020 is scheduled to be transferred from the **Commonwealth Transportation Fund**, which receives dedicated revenues mostly from gas taxes, vehicle registration and inspection fees, and sales taxes on vehicle sales, to make transportation-related debt payments. The largest source of operating funds for the **Massachusetts Bay Transportation Authority (MBTA)** is also an automatic transfer of sales tax revenue anticipated at \$1.13 billion. This amount is \$54 million higher as a result of a one-time proposed change in how sales tax is collected (see Revenue section).

For an illustrated chart and description of funding flows for transportation debt service and operations together (as of 2015), see MassBudget's fact sheet, [What Does Massachusetts Transportation Funding Support and What Are the Revenue Sources?](#) To read about different areas of federal support for state transportation programs in Massachusetts, see MassBudget's [How Vulnerable is Massachusetts Transportation to Federal Spending Cuts?](#)

For additional questions, email info@massbudget.org with "Budget question" in the subject line.

OTHER NEWS IN THE BUDGET

House amendments, April 26, 2019:

During its debate on the House Ways and Means Committee budget for Fiscal Year (FY) 2020, the House added almost \$6.0 million to two accounts that help fund **state parks** for a total of \$50.6 million. Together, this is a \$5.3 million (12 percent increase) above the FY 2019 current budget. The majority of this increase (\$4.9 million) provides targeted funding for specific parks and recreation projects located throughout the Commonwealth.

The House also added \$500,000 to the new account created to support outreach and education about the upcoming 2020 Census (see below), bringing the total to \$2.5 million.

The House also added \$500,000 in funding for the **Attorney General's Fair Labor Division** (FLD), bringing the total FY 2020 proposal to \$5.0 million. Because FLD enforces the state's wage and hour laws—including minimum wage, overtime, and earned sick days—it's important for funding to keep up with job growth. In other words, funding *per worker* matters more than the total funding amount. While the House's proposed total funding for FLD is 2.2 percent higher than in FY 2001, per-worker funding is 6.9 percent *lower* than in FY 2001. (Percentage changes take inflation into account.)

For additional questions, email info@massbudget.org with "Budget question" in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

The House Ways and Means (HWM) Committee budget for Fiscal Year (FY) 2020 creates a new appropriation of \$2.0 million within the office of the Secretary of State to support community-based organizations in outreach and education efforts to help ensure a complete and accurate count in the upcoming 2020 Census. Low-income and immigrant communities as well as young children have historically been **hard to count** in the Census, and community-based organizations can be valuable "trusted messengers" to support full participation. In addition to funding for this new line item, the HWM Committee increases from \$2.5 million to \$2.75 million funding directed to the University of Massachusetts to provide technical assistance on Census data. FY 2020 is the important year for Census preparations.

The HWM Committee's FY 2020 budget includes \$25.1 million for "**other post-employment benefits**" ("OPEB") for state retirees, paid from debt reversions or, if those reversions are not available, using Tobacco Settlement funds. However, statute requires that by FY 2020 the state should be transferring 80 percent of the Tobacco Settlement to the State Retiree Benefits Trust (which holds the money for OPEB), or \$201.0 million. This means the Committee's budget is underfunding this liability for retiree benefits by \$175.9 million. Some of this total is off-set by \$11.0 million of excess capital gains revenue transferred to the trust from the Stabilization Fund.

REVENUE DETAILS

See table below for a summary of revenue proposals in the House Ways and Means (HWM) Committee's Fiscal Year (FY) 2020 budget. See also revenue tables in the "Revenue Highlights" section at the beginning of this document.

FY 2020 TEMPORARY AND ONGOING REVENUE PROPOSALS (\$ millions)	Governor		HWM	
	Ongoing	Temp.	Ongoing	Temp.
TAX REVENUES				
Sales Tax Acceleration		306.0		
Sales Tax Marketplace Reforms	41.7		41.7	
Tax on Opioid Gross Receipts	14.0			
Excise Tax on Vapor (Vaping) and E-Cigarette Products	6.0			
Life Sciences Tax Credit Cap		5.0		5.0
Withholding On Non-Residential Property Sales	4.0			
Sales Tax Integrity Measures	2.0			
Real Estate Transfer Tax Increase (separate legislation)	75.0			
SUBTOTAL	142.7	311.0	41.7	5.0
NON-TAX REVENUES				
Increased Business Fees at the Department of Public Utilities			2.0	
Casino-Based and Online Sports Wagering (separate legislation)	35.0			
SUBTOTAL	35.0	0.0	2.0	0.0
TOTAL	177.7	311.0	43.7	5.0

Taxes

House amendments, April 26, 2019:

The House approved no major, tax-related amendments to the House Ways and Means (HWM) FY 2020 budget recommendations. Of the handful of smaller, tax-related changes approved by the House, the most notable is a phased increase to the annual cap on the state's Conservation Land Tax Credit program. This program allows a refundable tax credit of up to \$75,000 for landowners who make "qualified donations of certified land to a public or private conservation agency," but limits the total credits the program can distribute annually. Currently capped at \$2 million a year, under the House plan, the program cap would be lifted by \$1 million a year in each of the next three years, until a cap of \$5 million a year is reached in 2022.

For additional questions, email info@massbudget.org with "Budget question" in the subject line.

House Ways and Means (HWM) Committee proposal, April 10, 2019:

Two of the tax revenue-raisers included in both the HWM and the Governor's budgets are ones that already are part of the tax code, but were added recently enough that no estimate of anticipated revenue from these sources was included in the FY 2020 "Consensus Revenue Estimate," the baseline tax revenue estimate used by the Administration and the Legislature in crafting their budget proposals. The HWM and the Governor estimate that taxes associated with the sale of recreational marijuana will deliver \$132.5 million in FY 2020, and revenue from the newly adopted short-term room occupancy tax (often referred to as the "Airbnb Tax") will total \$27.5 million. Both sources will deliver ongoing revenue (i.e., recurring revenue, available in future years).

A third source of revenue not counted in the Consensus Revenue Estimate but derived from an already-existing source is money anticipated from tax-related settlements and judgments. The HWM assumes \$100 million from these settlements and judgments in its FY 2020 revenue total (the Governor anticipates \$50 million from this source). These settlements and judgments are delayed or legally contested, tax-related payments that the HWM and the Governor anticipate will be resolved in the Commonwealth's favor in FY 2020. Though the Commonwealth typically receives over \$100 million annually from this source, the amounts can vary significantly from year to year. As these revenues are not included in the Consensus Revenue Estimate, they constitute an increase in the bottom-line revenue total by which budget writers are constrained.

New sources of additional tax revenue, above and beyond Consensus Revenue Estimate, that the HWM relies on to balance its budget include the following:

- Technical changes that would reform online, retail sales tax collection rules (first presented in the Governor's FY 2020 budget). Under this proposal, "marketplace facilitators" such as eBay, Amazon, and Etsy would be required to collect and remit sales taxes on behalf of smaller vendors who sell through these sites. This and other associated changes would result in an estimated \$41.7 million in additional, ongoing sales tax revenue in FY 2020, taxes that are owed under existing law, but which currently go uncollected.
- Limiting the amount of funding to be transferred from the state's consolidated net surplus to the Massachusetts Life Sciences Fund (first presented in the Governor's FY 2020 budget). This limit on the funding available for distribution through the Massachusetts Life Sciences Credit program is expected to save \$5 million in FY 2020. This fund supports the cost of a corporate tax credit program that is intended to incentivize companies involved in "life sciences research and development, commercialization and manufacturing" to create and retain full-time, permanent jobs within the Commonwealth. Companies must apply for and be awarded these credits, but the state awards credits only to the extent funds are available.

Several other tax-related proposals presented in the [Governor's budget](#) do *not* appear in the HWM budget, including a proposal to shift the timing of sales tax collections, levying a tax on opioid manufacturers, taxing e-cigarette and "vapor products," as well as several others. Also not included in the HWM budget is the Governor's proposal to raise the Real Estate Transfer Tax (presented in legislation that accompanied the Governor's budget proposal).

Much of the additional revenue proposed in the HWM budget would come from a variety of consumption taxes and fees, which typically are regressive (meaning low- and moderate-income households pay a larger share of their income toward these taxes than people with high incomes). By contrast, a large portion of the already-scheduled tax revenue *reductions* will come from progressive sources (meaning people with higher incomes contribute a larger share of their household income toward these taxes than people with low- and moderate incomes).

Massachusetts already has a [regressive, "upside-down" tax system](#). Given the additional revenue from regressive sources included in the Governor's and HWM's budgets, and anticipated reductions in progressive sources, the overall effect of both budgets would be to make Massachusetts' tax system more upside-down.

(An important exception to the foregoing discussion is the scheduled increase to the state's Earned Income Tax Credit program, which will begin offering larger tax credits in FY 2020. While the \$65.4 million in additional credits will reduce collections from the state personal income tax, a progressive revenue source. Nevertheless, the net effect of this tax cut is progressive. The [EITC program](#) targets tax benefits to low- and moderate-income working households, enhancing the overall progressivity of the state personal income tax.)

For additional questions, email info@massbudget.org with "Budget question" in the subject line.

Other revenues

Every budget relies on a variety of non-tax revenues — federal revenues, which are mostly reimbursements for state spending on Medicaid (MassHealth and related costs); departmental revenues, which are fees, assessments, fines, tuition, and similar receipts; and "transfer" revenues, which include lottery receipts, revenues from the newly-licensed gambling facilities, and funds that the state draws from non-budgeted trusts.

The HWM budget proposes a new increase to fees at the Department of Public Utilities. This increases the ceiling on the assessment on electric and gas companies, bringing in \$2.0 million in additional revenue.

The HWM budget assumes that the continuing expansion of various forms of gambling in the state will bring in substantial, additional revenue in FY 2020. However, unlike the Governor, HWM does not include \$35.0 million in revenue from anticipated legalization of sports betting. Legislation authorized the establishment of one slot facility (currently operating in Plainville) and up to three resort casinos (one recently opened in Springfield, and another is under construction in Everett). The legislation also directs that gambling revenues fund specific purposes within the budget, such as local aid. The HWM budget appears to follow the Governor's estimates that anticipate gambling will generate a total of \$293.5 million for the budget, more than double the amount used in the FY 2019 budget. This includes:

- \$78.0 million in revenues from slot machines, the same amount as in FY 2019.
- \$215.5 million from the state's two resort casinos, an increase of \$155.5 million compared to FY 2019, as the Administration expects that two casinos will be fully operational during the FY 2020 fiscal year.

One of the most notable changes in these non-tax revenues in the FY 2020 budget is the result of a planned reduction in revenue from the Supplemental Employer Medical Assistance Contribution (EMAC). This supplemental EMAC is a temporary assessment on employers that rely on publicly-subsidized health insurance (MassHealth or ConnectorCare) for their employees. According to HWM Committee estimates, there will be \$87.2 million available in FY 2020, a \$144.3 million reduction from the available supplemental EMAC revenue in FY 2019. (This number is a revision of the Governor's estimated amount from January.) This temporary assessment was new in FY 2018, but the HWM Committee allows it to sunset as planned on December 31, 2019 (as did the Governor).

There are several other revenues in the HWM budget to note, similar to the Governor's proposal:

- \$29.5 million from sale of the East Cambridge Court House. This one-time revenue was initially anticipated for the FY 2019 budget, but the sale has been moved to FY 2020.
- \$12.0 million in licensing fees from the continued expansion of the retail recreational marijuana industry, \$6.0 million more than the amount expected for FY 2019.
- \$85.9 million less in federal reimbursement for the [Children’s Health Insurance Program](#) (CHIP) in FY 2020 compared to FY 2019, in part because federal reimbursement for program spending drops from 88 percent to its traditional 65 percent for that program. One of the provisions of the federal Affordable Care Act was that the federal reimbursement rate for CHIP would increase by 23 percentage points until September 30, 2019, but after that the reimbursement rate drops back to its previous level.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

Stabilization Fund

The HWM Committee anticipates that the cumulative effect of the various tax-related elements contained in its FY 2020 budget will result in a net deposit of \$264.5 million into the state’s Stabilization Fund (often referred to as the “Rainy Day Fund”), an amount somewhat lower than the Governor’s anticipated \$297.0 million net deposit. (The Governor’s anticipated FY 2020 net deposit is larger than HWM’s because the Governor proposes directing to the Stabilization Fund a portion of the one-time revenue gain that would result from his sales tax acceleration proposal, a proposal not included in the HWM budget.)

If FY 2019 capital gains revenue collections proceed as currently projected by the Department of Revenue, with a net deposit along the lines of the HWM or Governor’s budget, then the value of the Stabilization Fund at the close of FY 2020 would come to just under \$2.8 billion, more than double the \$1.3 billion total available at the close of FY 2017. This growth is in large part the result of strong capital gains collections over the last few years and is an important step toward preparing for the next recession. At the same time, the projected \$2.8 billion total would be less than the amount on hand (adjusted for inflation) prior to the last recession, and would be equal to a substantially smaller share of the state budget than is recommended by many fiscal experts.

For additional questions, email info@massbudget.org with “Budget question” in the subject line.

TOTAL BUDGET BY CATEGORY & SUBCATEGORY

House amendments, April 26, 2019:

FY 2020 House is the current budget proposal from the House that includes amendments passed during floor debate. **FY 2020 House Ways and Means** is the budget as initially proposed by the House Committee on Ways and Means. **FY 2020 Governor** is the Governor’s proposal. **FY 2019 Current** is the budgeted FY 2019 General Appropriation Act (GAA) enacted in July 2018 as amended by supplemental budget legislation. All totals include MassBudget adjustments to the state’s published numbers as described in [Where Do MassBudget’s Budget Numbers Come From?](#)

BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions)	FY 2019 Current	FY 2020 Governor	FY 2020 House Ways and Means	FY 2020 House
Education	8,381.9	8,892.1	8,751.6	8,759.3
Early Education & Care	649.6	656.8	674.3	675.4
Higher Education	1,225.4	1,370.6	1,274.6	1,276.7
K-12: Chapter 70 Aid	4,922.6	5,107.9	5,136.1	5,136.1
K-12: Non-Chapter 70 Aid	702.2	786.8	735.2	739.6
K-12: School Building	882.1	970.0	931.5	931.5
Environment & Recreation	222.0	229.9	233.6	241.1
Environment	95.6	101.7	101.8	102.1
Fish & Game	31.2	31.1	31.7	32.5
Parks & Recreation	95.2	97.1	100.2	106.5
Health	20,752.4	20,876.7	20,881.1	20,894.4
MassHealth (Medicaid) & Health Reform	17,604.2	17,668.4	17,682.6	17,688.0
Mental Health	876.3	886.8	890.6	891.3
Public Health	678.7	694.2	692.4	699.7
State Employee Health Insurance	1,593.2	1,627.3	1,615.4	1,615.4
Human Services	4,614.9	4,779.6	4,808.6	4,814.0
Child Welfare	1,009.7	1,050.4	1,046.2	1,047.0
Disability Services	2,018.9	2,166.7	2,178.2	2,178.5
Elder Services	529.2	540.3	539.1	541.4
Juvenile Justice	179.3	178.7	178.7	178.7
Transitional Assistance	668.6	654.8	676.6	677.3
Other Human Services	209.2	188.7	189.8	191.1
Infrastructure, Housing & Economic Development	2,439.5	2,516.3	2,428.1	2,445.6
Commercial Regulatory Entities	72.4	82.0	82.1	82.1
Economic Development	187.9	197.5	194.2	206.6
Housing	521.3	490.2	493.8	496.4
Transportation	1,657.8	1,746.6	1,658.1	1,660.5
Law & Public Safety	3,027.0	3,152.1	3,097.5	3,112.8
Courts & Legal Assistance	812.2	848.6	855.8	859.1
Law Enforcement	411.8	463.0	458.7	462.9
Prisons, Probation & Parole	1,552.0	1,589.5	1,530.9	1,534.6
Prosecutors	189.8	189.7	191.5	192.1
Other Law & Public Safety	61.3	61.4	60.7	64.1
Local Aid	1,143.0	1,182.6	1,175.3	1,177.0
General Local Aid	1,098.9	1,128.6	1,128.6	1,128.6
Other Local Aid	44.0	54.0	46.7	48.4
Other	6,125.0	6,326.2	6,289.5	6,292.1
Constitutional Officers	90.1	80.8	84.2	84.4
Debt Service	2,678.8	2,772.0	2,772.0	2,772.0
Executive & Legislative	77.2	79.8	79.8	79.8
Libraries	27.2	27.3	27.8	29.4
Pensions	2,612.9	2,852.8	2,852.6	2,852.6



Other Administrative	638.7	513.5	473.2	473.9
Total Budget	46,705.8	47,955.6	47,665.5	47,736.3