

## A First Look at the Legislative Budget for FY 2017

The budget enacted by the Legislature today represents both compromises between the House and Senate proposals, and new solutions to address the challenges caused by updated revenue estimates that project \$750 million less in tax revenue than was previously anticipated.

As a result, this budget funds most items at the lower of the House and Senate recommendations and a number of items below either the House or Senate recommendations. The budget also relies more on temporary budget-balancing solutions than the versions previously approved by the House and Senate: payments for some MassHealth costs will be shifted from FY 2017 to FY 2018; several accounts are funded significantly below the levels of known costs; and the budget counts on \$100 million less in spending than the amount appropriated and that money being used to balance the budget rather than to build reserves. The budget will not make any deposit into the state's Rainy Day Fund.

While the budget doesn't make significant progress towards addressing the big challenges our Commonwealth faces, such as rebuilding our transportation infrastructure, making college affordable, or expanding access to high-quality education for all of our children, it does include some small new investments and initiatives. Listed below are descriptions of selected important items in the Legislature's budget. MassBudget will publish a more comprehensive *Budget Monitor* next week.

### Housing

The budget provides \$40.5 million less in funding for the Emergency Assistance Shelter program than is provided this year. In recent years the budget has consistently underfunded this program and the Legislature has then had to provide supplemental funding during the course of the year to provide services to the families who are eligible for the program. The Mass Rental Voucher Program appropriation of \$85.3 million is \$5.6 million below the FY 2016 current budget.

### Environment and Recreation

This budget proposes a \$3.4 million reduction in funding for state parks. The House and Senate had both proposed funding reductions, but of smaller amounts.

### Juvenile Justice

Overall, the Legislative budget funds juvenile justice at the same level as FY 2016. Outside language in the budget waives monthly probation fees for any young person placed on probation while under the age of 18.

### Transportation

The Legislature's budget is mostly in keeping with previous versions from the House and Senate that were broadly similar with one another. As a result of lower estimated sales tax revenues for the coming fiscal year, the MBTA is slated to receive about \$29 million less than the earlier House and Senate budget proposals, though still \$12.7 million more than current FY 2016 levels. With these reduced sales tax revenues, the transit agency will have a harder time balancing its operating budget and putting aside funds for capital improvements.

**Local Aid**

Unrestricted Local Aid is funded at the same level as in the House, Senate, and Governor's proposals, a 4.3 percent increase over current levels.

**Child Welfare**

Services in the Department of Children and Families as a whole was spared from deep cuts, with funding for foster care services slightly above FY 2016 levels.

**Public Health**

Funding for substance abuse services with the Department of Public Health is increased by \$8.3 million, compared to FY 2016 levels.

**MassHealth**

The Legislature's budget reduces MassHealth funding by about \$123 below the Senate proposal and \$157 million less below the amount proposed by the House. The lowered cost estimates appear to come largely from pushing the payment of some FY 2017 costs into FY 2018, and from reduced caseload estimates. There are no proposed changes in program eligibility, although the budget includes language that would review dental coverage for adults, while preserving coverage for adult dental fillings and dentures at least through FY 2017.

**Early Education and Care**

The Budget increases funding for early education and care providers by \$7.5 million. That additional funding could allow slightly better pay for child care workers who are currently very low-paid.

**K-12 Education**

This budget increases Chapter 70 funding by \$116.1 million (2.6 percent). That's the same increase recommended by the House and Senate (although the House provided part of the funding in a reserve account). The Legislature's budget eliminates Kindergarten grants, an \$18.6 million allocation in the current FY 2016 budget. Charter school reimbursements are level funded at \$80.5 million. Because charter school seats are projected to expand by 3,100, the formula will be roughly \$54 million underfunded in FY 2017. The House and Senate had proposed \$5.0 million and \$9.5 million more in funding respectively than included in this budget.

**Higher Education**

The University of Massachusetts system is funded at the House proposed level of \$508.3 million, which is a \$6.8 million cut (1.3 percent) below current levels. This amount of funding makes it more likely that tuition and fees will continue to rise across the system.

**Revenue**

Perhaps the largest challenge this year for legislative budget writers was the realization, very late in the budget process, that the revenues available to support FY 2017 spending were likely to fall well below the earlier Consensus Revenue Estimate of \$26.86 billion (the amount upon which earlier FY 2017 budget negotiations had been based). The Legislature's FY 2017 budget assumes consensus tax revenues of \$26.11 billion, a shortfall of \$750 million. Closing this large gap in the FY 2017 budget during eleventh-hour negotiations resulted in the use of a variety of budget-balancing strategies. The Legislature's FY 2017 budget continues to rely on the one-time and temporary revenues and savings used in both the House and Senate budgets released earlier in the year. It also increases reliance on some of these strategies, while bringing new strategies into play.