

Important Steps Forward: The Fiscal Year 2023 House Budget

By MassBudget Staff

OVERVIEW

The House Fiscal Year (FY) 2023 budget reflects many of the challenges the state faces moving out of the most acute phases of the COVID-19 pandemic. Inflation continues to affect the costs of services; the worker shortage continues to plague many of the state’s direct care systems; and the economic, health, and psychological tolls of the pandemic have not gone away. Furthermore, many programs will start to experience “cliffs” in benefits or funding as federal pandemic relief and protections begin to fade away.

In that context, however, the House has taken a first step towards creating a budget that pushes the state towards equity in several important areas. New support for early childhood education, keeping the promise of funding for K-12 education, more money for the state’s public colleges and universities, and assistance for struggling renters and several new policy proposals are all important steps for the Senate to build on.

Significantly, the House withstood the Governor’s proposal to use the annual budget as a vehicle to make long-lasting tax cuts that would not advance equity. The Governor had proposed a budget that cut hundreds of millions of dollars of revenue each year with tax cuts benefiting mostly the state’s wealthiest residents. By stepping away from these permanent regressive tax cuts on the revenue side of the budget, the House had latitude on the budget side to make positive investments in communities across the Commonwealth. Ultimately, every dollar given back as tax cuts for the already-wealthy is a dollar that cannot be invested in teachers, libraries, elder care and road repairs. Highlights of several of these investments are discussed in more detail below.

The House budget did include several policy proposals, some of which were added during floor debate. The House budget would put into law what is known as a “common application.” This would allow people to apply simultaneously for a wide variety of state-administered needs-based benefits including MassHealth coverage, food assistance (SNAP), cash assistance, child care subsidies, housing subsidies, fuel assistance, and veterans services. The impact of such a change would be profound. A common application would simplify and dramatically improve access to benefits for anyone eligible. It would also improve the ability for state agencies to

better coordinate their activities. For example, local school districts would be better able to identify low-income students for the purposes of the state's school funding formula.

The House also includes language requiring state agencies that collect identifying information about individuals (such as agencies that provide publicly-funded benefits) to also collect demographic information about those individuals. This would include self-reported race and detailed ethnicity data. Advocates have long considered the lack of this information to be a barrier to addressing racial and ethnic disparities in health and economic well-being across the Commonwealth.

The House budget would end the practice of charging fees to individuals convicted of crimes as part of their parole or probation. These individuals and their families often face financial struggles compounded by these fees, making successful transitions out of the system more difficult. The Governor had also included this in his budget proposal. Unlike the Governor, the House budget goes one step farther towards creating pathways from incarceration to reintegration into community life by adding \$20 million for a new program that makes phone calls or other communications free of charge for youth or adults who are incarcerated.

The final budget proposed by the House also includes:

- Banning child marriage;
- Requiring the chief medical examiner to review any autopsy conducted on the death of a young child under age 2;
- Reviewing the ongoing impacts that COVID has had on the numbers of children stuck in emergency rooms awaiting more appropriate behavioral health placement;
- Funding to extend free school meals for all K-12 students through the next school year.

These specific proposals are selected examples of how the state budget can be a powerful tool that helps the Commonwealth become a place where every resident can thrive. Additional selected budget highlights in Revenue, Education, Housing, MassHealth, and Transportation follow. (Details of the House budget proposal funding amounts can be tracked in MassBudget's online [Budget Browser](#) and a summary funding chart is included below.)

REVENUE

On the revenue side of the House budget, the most notable element is what the House chose not to do. Unlike the Governor, the House opted against building the FY 2023 budget around a package of tax cuts skewed toward benefiting the state's highest income households. While the Governor's package of tax cuts included a number of elements targeted toward low- and middle-income households, over half of his \$700 million package would go primarily to benefit very high-income and wealthy households.

It remains uncertain when — or even whether — the House may introduce its own tax package. If it does so, selectively adopting a number of the Governor's proposals, such as raising the no-

tax income thresholds and increasing the value of the senior property tax circuit breaker, would provide meaningful support to low- and middle-income households.

There are also other tax proposals beyond those proposed by the Governor, such as increasing the state's Earned Income Tax Credit or even introducing a state Child Tax Credit, that would likewise would help working families and would make the state's tax system more fair.

Whatever path the House decides to follow, it will be important to remember that the state's strong tax revenue collections over the last few years are unlikely to last indefinitely. Making permanent tax cuts based on strong but temporary collection performance would force the state to make additional spending reductions when revenues eventually fall off.

EDUCATION

Early Education and Care

The care crisis for the state's youngest residents, their families, and for early education teachers, has continued to create significant challenges across the Commonwealth. Though the House FY 2023 early education and care budget overall has \$92 million more for several worthwhile initiatives compared to the Governor's proposal, this level of state investment is still below FY 2022 current budget totals. It would not be enough to start re-building a strengthened system of affordable and accessible child care across Massachusetts, especially as 17 percent of all providers have ceased operating during COVID. In fact, a recent legislative commission anticipated that the state needs between \$595-\$712 million in immediate added funding for child care.

Massachusetts has been heavily reliant on temporary federal COVID relief funding for early education over the past few years. The largest pool of funding, Commonwealth Cares for Children (C3), has been critical for helping stabilize the program and preventing even more early childhood center closures. These stabilization costs are estimated at about \$480 million annually, but the House budget does not include continued funding for this. Without continued support, the C3 grants are on track to expire by the summer of 2022. The Legislature could sustain these efforts for another year, using either remaining federal COVID relief funds or other state funds. Continuing the C3 program and providing that guarantee to providers and parents as soon as possible, is a necessary first step to maintain the fragile status quo of early care in our state and prevent the situation from declining further. Much more remains to be done through state policy in the coming years to move towards universally available, affordable, and high-quality care for all families, kids, and early care teachers in the Commonwealth.

K-12 Education

The House budget contains sufficient funding for K-12 Chapter 70 school aid and grants to fully implement the Student Opportunity Act (SOA), the landmark education funding law passed in 2019. FY 2023 will be the second year of a six-year phase-in of the law. The House increase of

\$652 million to SOA line-items over last year (\$60 million more than proposed by the Governor) covers the planned increases needed for the second year of the SOA, along with more funding for key grant programs. Together the House is continuing to keep this critical promise to students across the state, particularly those in under-resourced schools.

The House notably also adds \$110 million to the budget to support universal free school meals for all students in the Commonwealth. This highly successful program began during the pandemic supported by federal funding. With this continued support public schools can help ensure that no child is sitting in the classroom trying to concentrate and learn on an empty stomach.

Higher Education

The House FY 2023 budget provides \$1.56 billion to public higher education campuses and programs across the state, a significant 12 percent increase over current FY 2022 levels and \$105 million more than what the Governor proposed. This level of investment should provide capacity to improve services at higher education campuses and help make community colleges, state universities, and the University of Massachusetts (UMass) more affordable. It appears this investment would significantly limit, but not totally prevent, tuition hikes at UMass for next year.

This increased funding for public higher education should also help create an important funding bridge as the roughly \$1.6 billion in federal COVID relief that has supported higher education campuses and students winds down over the next several years. The funding provided by the House provides a starting point for longer term conversations about what it would take to create affordable, world-class public higher education without unreasonable levels of college debt for students and families.

HOUSING

The House housing budget proposal is a notable improvement over the Governor's. It sets even higher expectations for the Senate if the Commonwealth intends to advance equitable housing policy. Nevertheless, the House budget woefully underfunds state rental assistance as a whole based on the need for housing assistance since the onset of the pandemic.

As in other budget areas, housing supports are on the edge of a significant "benefit cliff". The federal Emergency Rental Assistance Program (ERAP), which provides more extensive rental support than any of the state-funded programs, has no longer been accepting applications as of April 15th. State programs would need to expand significantly to fill the gap. Otherwise, those hardest hit would be the renters having only more restrictive — and underfunded — state programs upon which to rely.

Even if the Legislature were to use remaining flexible funding from the federal American Rescue Plan to extend ERAP, policymakers would still need ongoing state funding to continue the essential housing rental assistance provided by the federal program.

The House budget does propose funding state housing subsidy programs such as Rental Assistance for Families in Transition (RAFT) and the Massachusetts Rental Voucher Program (MVRP) at levels much higher than the Governor’s proposal — \$140 million in funding for RAFT and \$150 million for MRVP. This increased funding is important, but insufficient and incomplete as the House budget falls short on making the needed programmatic changes that would expand the scope of those state programs.

MASSHEALTH

The House budget proposal includes \$18.44 billion for the MassHealth program, an increase of \$637 million compared to the Governor’s proposal. MassHealth is only partially paid for by state dollars, so the “net” cost to the state of the House proposal (that is, the total state MassHealth program budget less federal reimbursement the state receives) would be less than half that total.

The FY 2023 MassHealth story is one largely dominated by the impact of the COVID-19 pandemic on the state’s publicly-subsidized health care system. When the pandemic first hit, the federal government declared a national “public health emergency” retroactively starting January 2020. During this public health emergency, if a state agreed to protect Medicaid recipients from losing coverage during the pandemic based on changes in their income or based on failure to return renewal application forms, the state would receive an additional 6.2 percentage point reimbursement from the federal government. This was a critical measure to make sure people didn’t lose health care coverage during a pandemic, even if people lost their jobs.

Over the course of the pandemic participation in the MassHealth program has grown from about 1.7 million people to close to 2.2 million because of these “continuous coverage” requirements to maintain enrollment during the public health emergency. At the same time the enhanced reimbursement has brought in \$2.6 billion in federal revenue to help pay the state’s MassHealth costs. The Administration has determined the enhanced federal reimbursement covers the costs of the increased pandemic-related MassHealth enrollment.

With an anticipated end of the public health emergency, the House budget assumes that the state will begin the process of re-determining eligibility for MassHealth and that over the course of the coming year MassHealth enrollment will likely decline to closer to pre-pandemic levels. The enhanced federal reimbursement revenue will also end. The exact timing of both of these is unclear. As of now, the earliest the public health emergency could end would be in mid-July.

To address the need to ensure health care coverage for the relatively small number of people still inadequately insured in Massachusetts, the House proposes a two-year pilot program to expand eligibility for the state’s subsidized ConnectorCare health insurance program, increasing the income threshold from 300% of the federal poverty level to 500% (\$68,000 a year for an individual, \$139,000 for a family of four). This program would expand affordable coverage to

tens of thousands of Massachusetts residents who have no access to other affordable subsidized health insurance programs.

The House also increases the eligibility threshold for the Medicare Savings Program from 165% of the federal poverty level to 250%, which would benefit more than 30,000 low-income elders and persons with disabilities. The Medicare Savings Program helps eligible people pay their Medicare Part B premiums and out-of-pocket costs. This program expansion would also save some money for the state’s Prescription Advantage program and the Health Safety Net.

TRANSPORTATION

Transportation has benefited from federal support during the pandemic, yet as in other areas of the state budget, public transit authorities could encounter a “fiscal cliff” next year as this federal relief phases out. As transit authorities spend down federal pandemic funds, stagnant state funding sets up transit authorities for budget shortfalls in future years. State support for public transit operations has not kept up with inflation, and both the Governor and House have proposed funding at the same \$187 million as in FY 2016.

The MBTA is planning to supplement its budget this coming fiscal year by using federal pandemic aid to avoid service cuts and fare hikes and address safety improvements, but the MBTA anticipates a budget deficit of \$236 million in FY 2024. The state’s regional transit authorities are similarly using dwindling federal funds to maintain service despite state support that lags behind inflation.

Public buses, trains, and ferries will need to play a growing role in coming years in order for Massachusetts to meet commitments to reduce global warming emissions. Transportation is the largest source of greenhouse emissions in Massachusetts, and public transit provides a key role for enabling people to drive less. Increased transit ridership can also play an important role in revitalizing downtowns in the wake of COVID-19.

Eliminating fares on public buses has been successful at increasing ridership in Worcester, the Merrimack Valley, and on pilot programs in Boston. These experiments have shown the potential for public transit growth and have helped connect low-income households with more economic opportunity.

FUNDING BY BUDGET CATEGORY AND SUBCATEGORY

BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions)	FY 2022 Current	FY 2023 Governor	FY 2023 HW&M	FY 2023 House
Education	9,993.7	10,416.5	10,821.4	10,828.3
Early Education & Care	951.7	820.3	912.1	912.2

Higher Education	1,397.2	1,454.8	1,558.0	1,559.6
K-12: Chapter 70 Aid	5,543.3	5,988.5	5,998.2	5,998.2
K-12: Non-Chapter 70 Aid	1,087.2	987.8	1,188.0	1,193.3
K-12: School Building	1,014.3	1,165.1	1,165.1	1,165.1
Environment & Recreation	294.5	275.6	282.4	288.6
Environment	139.2	126.9	127.3	128.6
Fish & Game	35.7	35.7	36.5	37.1
Parks & Recreation	119.6	113.1	118.6	122.9
Health	24,206.9	22,687.3	23,371.1	23,429.7
MassHealth (Medicaid) & Health Reform	20,475.2	19,012.5	19,615.9	19,659.0
Mental Health	987.8	986.0	1,012.5	1,013.2
Public Health	898.4	833.0	886.9	901.7
State Employee Health Insurance	1,845.4	1,855.8	1,855.8	1,855.8
Human Services	6,660.5	5,768.6	5,963.5	5,968.5
Child Welfare	1,134.0	1,190.6	1,190.6	1,191.1
Disability Services	2,762.4	2,481.0	2,555.4	2,555.7
Elder Services	623.1	655.1	699.0	701.0
Juvenile Justice	169.6	175.8	175.8	175.8
Transitional Assistance	825.0	826.4	902.1	902.8
Other Human Services	1,146.4	439.7	440.6	442.2
Infrastructure, Housing & Economic Development	3,130.1	3,154.6	3,289.1	3,311.9
Commercial Regulatory Entities	92.7	94.7	99.8	99.9
Economic Development	359.8	255.4	311.3	330.4
Housing	767.8	731.0	867.5	869.1
Transportation	1,909.8	2,073.5	2,010.5	2,012.4
Law & Public Safety	3,421.3	3,550.2	3,593.0	3,620.8
Courts & Legal Assistance	942.6	994.4	1,008.7	1,029.9
Law Enforcement	513.9	528.9	526.0	528.7
Prisons, Probation & Parole	1,655.6	1,717.1	1,723.9	1,724.6
Prosecutors	211.4	220.6	245.9	246.0
Other Law & Public Safety	97.9	89.2	88.6	91.6
Local Aid	1,239.3	1,263.6	1,263.6	1,265.0
General Local Aid	1,168.1	1,199.7	1,199.7	1,199.7

Other Local Aid	71.2	63.9	64.0	65.4
Other	8,590.4	7,722.8	7,403.1	7,403.6
Constitutional Officers	93.3	104.5	117.9	118.0
Debt Service	2,769.8	2,829.5	2,829.5	2,829.5
Executive & Legislative	85.8	88.3	89.2	89.2
Libraries	36.5	36.4	38.9	38.9
Pensions	3,478.3	4,037.7	3,787.7	3,787.7
Other Administrative	2,126.6	626.4	539.9	540.3
Total Budget	57,536.6	54,839.1	55,987.2	56,116.5

FY 2022 Current total does not include COVID relief appropriations paid out of federal funds. Totals subject to change if final spending allocations shift.