



ML Strategies Alert

FY2017 Massachusetts Budget Update: The Conference Committee Budget

07.06.2016

BY [JULIE COX](#), [STEVE BADDOUR](#), [DAN CONNELLY](#), AND [MAX FATHY](#)

Just before the close of the fiscal year, the House and Senate reached an agreement on a \$39.146 billion state budget for FY17. Due to a recently identified \$750 million drop in projected state revenue, the budget, which was crafted by a conference committee led by Representative Brian Dempsey and Senator Karen Spilka, increases spending by just \$650.3 million, or 1.7%, above FY16 levels. The plan spends less than the \$39.5 billion budgets proposed by the [House](#) and [Senate](#) and the \$39.6 billion [budget](#) proposed by Governor Charlie Baker in January.

The budget process was thrown into turmoil after estimates of expected tax revenues were sharply lowered in the weeks since the conference committee began negotiating over the final FY17 budget. The gap forced the conference committee to revise the House and Senate plans, ultimately scaling back the \$1.1 billion spending increase proposed in these budgets by approximately \$413 million. Many officials have attributed the revenue gap to volatility in the stock market.

Lawmakers were able to close the revenue shortage by canceling a planned \$200 million deposit into the rainy day fund, deferring Medicaid payments, assuming that the state's income tax rollback and a \$60 million payment to the state's school building authority and MBTA would not take place due to lower economic growth, identifying efficiencies in government procurement, and making \$260 million in direct line item cuts to accounts for information technology, county sheriffs, and MassHealth. The budget includes no new taxes or fees, but the revenue shortage has led many lawmakers, including Senate President Stan Rosenberg, to call for additional tax revenue in the future.

The budget preserves increases to local aid, school funding for cities and towns, and substance abuse programs, but many programs will receive even or minimally raised funding levels for FY17 compared to FY16. Budget highlights include:

Health Care

- The budget reduces funding for MassHealth relative to the House and Senate versions by approximately \$142 million. This updated total assumes revised MassHealth caseload estimates and the pending of certain payments scheduled in FY17 to FY18.
- In response to a strong advocacy effort from hospitals, \$15 million is provided in the budget for the Health Safety Net (HSN). The budget does not include, however, a provision in the Senate budget that would have prohibited the Executive Office of Health and Human Services from implementing the recent eligibility changes to the HSN until April 2017.

- The budget makes a technical correction that ensures that the level of funds transferred from the HSN to the new MassHealth Reform Delivery Trust Fund would not leave the HSN in a further shortfall.
- Additionally, \$73.5 million is transferred from the MassHealth Delivery Reform Trust Fund to the General Fund. This transfer will be used to fund MassHealth spending in FY17.
- The Center for Health Information and Analysis (CHIA) is funded at \$27.6 million and the Health Policy Commission (HPC) is funded at \$8.5 million. FY17 is the first year that hospitals, surcharge payors, and ambulatory surgical centers become responsible for the HPC budget.
- The budget creates a task force to examine the patient safety issues related to insurer-forced “white bagging/brown bagging” of cancer and chronic disease medications.
- A special commission established in 2012 to study the causes of chronic obstructive pulmonary disease, or COPD, is revived and required to file a report with the legislature by the end of 2017.
- Senate language that sought to eliminate the current stroke system of care and redirect patients away from local community hospitals where they are currently designated to receive such services was not included in the final budget.

Public Health

- As part of the state’s ongoing efforts to combat its opioid addiction crisis, the budget increases spending by \$23.6 million to \$139.2 million on substance abuse treatment programs. This money includes support for 125 new residential treatment beds; \$12.5 million for step-down recovery services, secure treatment, family intervention services, recovery high schools, and the expansion of the nasal Narcan program; \$1.1 million to continue a naltrexone pilot program; and \$1 million for the substance abuse trust fund.
- The budget establishes an interagency task force on newborns with neonatal abstinence syndrome and substance-exposed newborns charged with developing a statewide plan to collect data, develop outcome goals, and ensure that quality service is delivered to these newborns.
- A Senate provision that would have designated dental hygiene practitioners as a new type of mid-level dental professional akin to a physician assistant on a medical team was not included.

Education and Local Aid

- Fulfilling a key priority for many lawmakers, the budget increases Chapter 70 school aid by \$116 million and unrestricted local aid by \$42 million.
- Higher education funding will increase by 1% overall, including a 1.4% increase for the University of Massachusetts.
- Reflecting increased spending proposed by the Senate, regional school transportation will receive \$61 million.

Transportation

- The budget limits MBTA fare increases to 7% every two years, effectively lowering the current cap of 5% per year. MBTA fares are set to increase on July 1 by an average of 9%.
- The budget brings Massachusetts into compliance with the federal REAL ID Act, an anti-terrorism initiative which requires states to begin issuing secure forms of identification that may replace the current driver’s licenses of many residents. Governor Baker filed legislation last October bringing Massachusetts into compliance with the law, and the House and Senate included similar measures in their budgets.

Other Notable Provisions

- The plan creates a special commission to study the regulation of daily fantasy sports and online gaming in Massachusetts. The measure, which represents the legislature's first action to address the industry, calls for appointees of the Governor, the Senate President, the House Speaker, and minority leaders of each branch to review all aspects of fantasy gaming. The commission would be required to report on its findings by March 2017. The commission will begin its work at a time when the state Lottery is seeking approval to offer its products online.
- An outside section creates a task force to study state policies regarding the cash out of vacation and sick leave credits for state employees not subject to a collective bargaining agreement.
- Proposals in the Senate budget that banned plastic bags and restricted gas pipeline siting were not included in the conference committee budget. Governor Baker had voiced his opposition to the use of the budget as a means of passing policy riders such as these proposals.

Next Steps

The House and Senate both quickly approved the conference committee budget, sending it to Governor Baker, who will have 10 days to review the bill and issue line item vetoes, which the legislature can override with a two-thirds majority vote in each chamber. The final budget must be approved by the end of July, when the current interim budget runs out.

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