

# Massachusetts House and Senate Negotiators Agree on FY 2014 Budget; Funding Sources Remain Uncertain

July 02, 2013 | Advisory | By George Atanasov, [Julie Cox](#), Amarynth Sichel

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On Sunday, four hours before the start of Massachusetts' new fiscal year, the legislative conference committee tasked with ironing out differences between the House and Senate budget proposals agreed on a final compromise version ([H 3538](#)). The Legislature then approved the measure yesterday along party lines, with the House voting 122-29 and the Senate 36-3.

The Legislature's \$34 billion budget depends on \$350 million from the state's "rainy day fund" and new tax revenue derived from increases to gas and tobacco taxes, as well as the application of a new sales tax to certain computer software services.

The tax revenue that the proposed budget requires is predicated on the success of a separate piece of controversial tax legislation, a bill that is currently on Governor Deval Patrick's desk. The financing plan devised by House and Senate leaders is meant to direct as much as \$805 million in new spending to the state's aging transit systems – an investment that the Governor believes is necessary.

Patrick has expressed concern that if the tolls on the Massachusetts Turnpike are removed as scheduled in 2017, the tax bill will raise \$135 million less than intended. Patrick plans to send the tax bill back with an amendment structuring an automatic gas tax increase in 2017 if the tolls come down. Within hours of learning of the Governor's tax amendment, House and Senate leaders issued a statement saying they will urge their chambers to reject the administration's proposal. As both bodies passed the financing bill with overwhelming majorities, the Legislature could likely muster the votes to override the Governor's veto and pass the financing bill, upon which the state's proposed budget relies.

Among the many compromises achieved during the FY 2014 budget negotiations, which lasted for the better part of June, the conference committee approved funding the University of Massachusetts at the higher levels proposed by the House and Governor Patrick. Conferees also decided to scrap the Senate's proposed bottle bill expansion, which would have made the state's bottle deposit law applicable to sports drinks, water and coffee.

In addition, the budget:

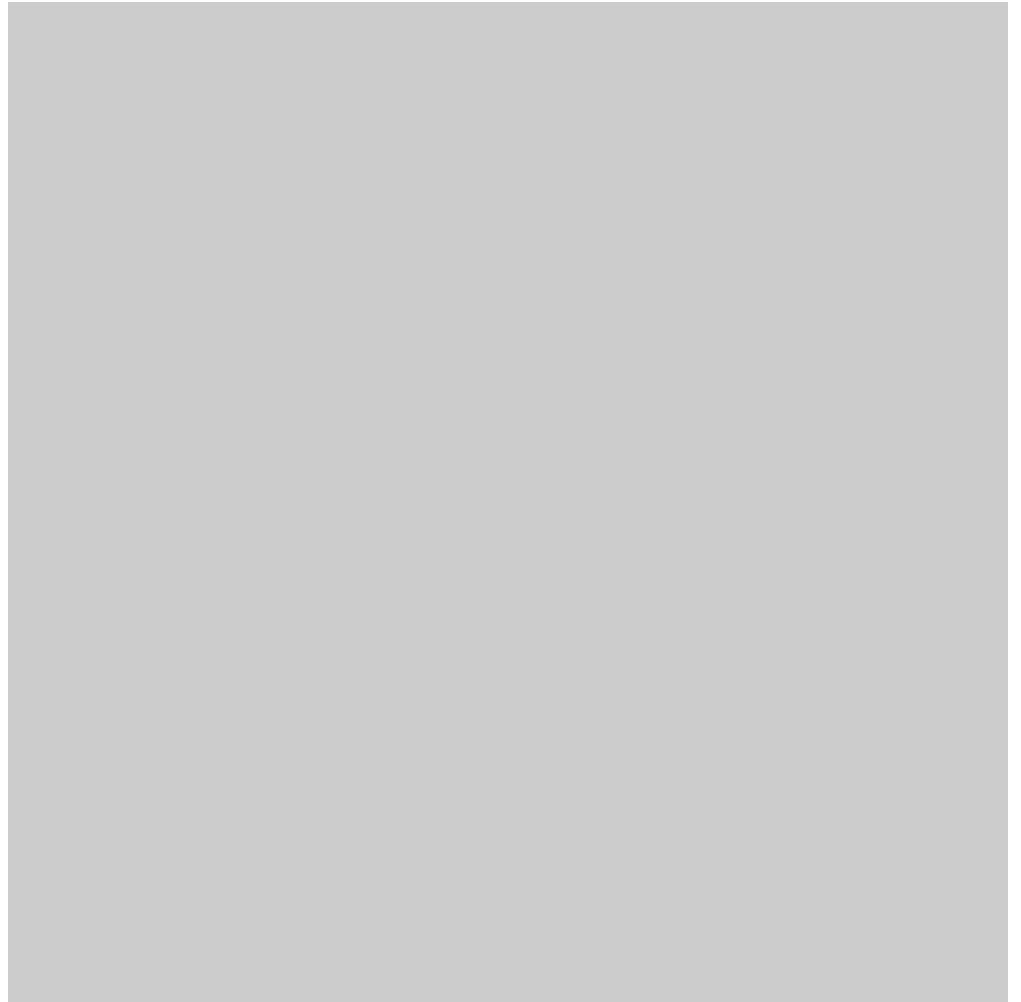
- Transfers \$38 million from a distressed hospital fund to increase reimbursement rates to hospitals that provide a disproportionate amount of care to Medicaid patients;
- Provides the University of Massachusetts with \$478.9 million, which will enable the Commonwealth's public higher education institution to freeze tuition and fees for students;
- Increases funding for elder home care services by \$6.2 million, which will eliminate a 1,500 person waiting list;
- Grants an additional \$18.2 million for housing programs, which will allow for 1,000 new housing vouchers;
- Invests in early education by providing \$15 million to reduce the pre-school waiting list by 2,000 children;
- Adopts the House's proposal to combat fraud in the welfare system by creating the Bureau of Program Integrity within the Department of Transitional Assistance, which will function as an oversight office;
- Sends \$920.2 million to cities and towns in unrestricted local aid, which represents a \$21.2 million increase over the fiscal year 2013 budget;
- Approves a judicial pay raise, which has not been granted in seven years, and will bring Massachusetts judges' salaries, currently the fifth lowest in the country, closer to the national average; and
- Honors former Governor and U.S. Ambassador to Canada Paul Cellucci, who passed away on June 8, 2014 due to amyotrophic lateral sclerosis, by naming the state's ALS Registry after him.

House and Senate negotiators also struck a deal on a mid-year spending bill ([H 3539](#)), which adopts the House proposal to require photo identification on the electronic benefit transfer cards that distribute welfare. In recognition of the Boston Marathon bombings on April 15, 2013, the bill creates a \$200,000 fund to award home modification or moving cost grants to certain victims, and allocates \$100,000 in line-of-duty benefits to the family of Officer Sean Collier, who authorities say was killed by the two brothers

suspected of the Boston Marathon bombing.

Until the budget is finalized, the Commonwealth will rely on a roughly \$4.1 billion budget to cover state spending during July.

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## **Authors**

**George Atanasov**

**Julie Cox**

**Amarynth Sichel**