



ML Strategies Alert

FY2019 Massachusetts Budget Update: Final Senate Budget

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On Friday, May 25, 2018, the Senate unanimously approved a \$41.49 billion budget for FY2019. The Senate's passage of its annual spending plan follows Governor Charlie Baker's [budget proposal](#) made in January and the [House proposal](#) approved at the end of April.

Over three days of debate, Senators considered 1,196 amendments and ultimately added \$75.5 million in spending across 113 different line items to the [budget proposed](#) by the Senate Ways and Means Committee on May 10. This increased spending includes \$20.79 million for education, \$20.95 million for health and human services, \$10.68 million for economic development, \$7.59 million for public safety, and \$5.38 million for environment and energy.

The budget, which was crafted by Chairwoman of the Ways and Means Committee, Senator Karen Spilka, notably proposes an annual prescription drug spending target and authorizes the Secretary of the Executive Office of Health and Human Services (EOHHS) to negotiate rebates with drug manufacturers. It follows the Governor and the House in increasing the Earned Income Tax Credit and allocating \$1.1 billion for local aid. Like the House, the Senate plan rejects the Governor's proposal to shift Medicaid recipients to comparable private Health Connector plans. The budget does not include any new broad-based taxes and makes an \$88.5 million deposit into the Stabilization Fund.

Additional budget highlights include:

Health Care

- The budget proposes an annual prescription drug spending target defined as the reduction in the projected increase in the Commonwealth's net share of pharmaceutical spending for the next fiscal year for the MassHealth program as compared to the current fiscal year. The target is established at 6 percent for FY2019 and at least 20 percent for future years.
- An adopted amendment creates a Department of Public Health (DPH) task force to review and develop requirements on closures of hospital essential services. Senators added another amendment requiring a Health Policy Commission market impact review of any essential health service closure that does not receive approval from DPH.
- The Senate budget includes the Governor's proposal to enhance MassHealth's ability to negotiate supplemental rebates with drug manufacturers. The House budget did not include this provision.
- The Senate plan does not include the Governor's language permitting a closed formulary in the MassHealth program. The House budget also does not include this language.

- Like the House, the Senate rejected the Governor's proposal to shift 140,000 nondisabled adults that fall between 100 percent and 138 percent of the federal poverty line to similar plans on the Massachusetts Health Connector.
- \$633 million is allocated to ease the transition to Accountable Care Organizations and to offset costs accrued by hospitals with large numbers of patients on MassHealth.
- \$35.5 million is allotted for salary increases for nursing home staff. This total exceeds the Governor's proposal by \$10.4 million and falls below the House budget by \$10 million.
- Like the House, the budget transfers \$15 million to the Health Safety Net.
- The budget follows the Governor's budget in creating a Safety Net Provider Trust fund and funding it at \$167.64 million.
- The budget states that EOHHS may expend an additional \$13 million in the aggregate for disproportionate share hospitals.
- The Delivery System Transformation Initiatives Trust Fund is repealed.
- An adopted amendment provides employers subject to both a state and federal penalty related to the number of employees receiving subsidized health insurance with a credit against any state penalty.
- The Senate amended last year's Employer Medical Assistance Contribution (EMAC) increase by directing the Administration to develop a hardship waiver for employers facing fiscal hardship due to the increased assessments.
- The Senate rejected several prescription drug-related amendments, including: Amendment #422 that extended the sunset for the provisions on false health care claims from 2019 to 2021; Amendment #439 authorizing EOHHS to determine the extent to which to include within MassHealth's covered services federally optional coverage of prescribed drugs; Amendment #495 establishing a MassHealth Cost Containment Council for the purpose of examining the current system of providing health insurance coverage; Amendment #654 prohibiting contract provisions barring pharmacists from disclosing cost or alternative, cheaper methods of prescription purchasing; and Amendment #757 directing the comptroller to distribute half of the FY2018 consolidated net surplus up to \$10 million to the Mass Life Sciences Investment Fund and half the net surplus up to \$10 million to the Mass Community Preservation Trust Fund.
- Amendment #529 prohibiting a health carrier, health benefit plan, or utilization review organization from limiting or excluding coverage of a prescription drug for any covered person who is medically stable if certain contingencies are present was withdrawn.
- Amendment #580 appropriating \$500,000 for the operation of an evidence-based outreach and education program on the therapeutic and cost-effective utilization of prescription drugs to physicians, pharmacists, and other health care professionals was withdrawn.

Public Health & Human Services

- Like the House, the budget proposes the removal of a restriction that prohibits families from receiving an extra \$100 per-month cash assistance for a baby conceived while the family was receiving public assistance. The Senate proposes to remove the restriction as of January 1, 2019, and allocates \$5.5 million to fund the expansion benefits for the second half of the fiscal year. This differs from the House, which approved the change effective July 1, 2019.
- The budget allocates \$487 million for Adult Support Services, including funding for coordination among health care providers, expanding housing options, and employment services. This is

similar to the proposal put forth by Governor Baker, which included a budget of \$486.7 million for Adult Support Services.

- Matching the Governor's proposal, the Senate's provides \$209.6 million in funding for the Department of Developmental Services Community Day and Work program, which provides employment support, education, and training for individuals with disabilities. The House exceeded this budget with an allocation of \$210.7 million for community-based day and work programs.
- The Senate's proposal allocates \$141.8 million to the Bureau of Substance Addiction Services, exceeding the House's proposal of \$137.2 million. The Governor's proposal budgeted \$149.2 million for the Department of Public Health alone, accompanied by approximately \$17.8 million for the Massachusetts Substance Abuse Center and new Substance Use Prevention, Education, and Screening Trust Fund within the Executive Office of Education.
- The budget addresses housing needs in Massachusetts with \$155.9 million for Emergency Assistance Family Shelters, falling approximately \$4.7 million below the Governor's proposal and exceeding the House budget by \$6.8 million.

Taxes & Revenue

- The budget adopts the Governor's proposal and the House plan to increase the Earned Income Tax Credit from 23 percent to 30 percent of the federal credit.
- The Senate anticipates \$63 million in revenue in the next fiscal year from marijuana sales, matching the estimates of the House and the Governor.
- The Senate anticipates \$20 million in revenue next fiscal year from taxation of short-term rentals, although legislation to regulate and tax short-term rentals is still in progress. The Governor's proposal anticipates \$13 million, while the House plan does not anticipate any revenues from short-term rentals taxes.

Education

- Chapter 70 aid to local schools systems is set at \$4.91 billion, which would allow for a minimum aid increase of at least \$30 per student. This exceeds the Governor's proposal by approximately \$60 million and the House proposal by approximately \$8 million.
- \$5 million is allocated to the Commonwealth Preschool Partnership Initiative, falling \$4.6 million below the Governor's proposal and \$10.4 million below the House budget.
- The budget allocates \$318.9 million to the Special Education Circuit Breaker, which reimburses school districts for the cost of educating students with disabilities. This exceeds the Governor's proposal by \$27.8 million and the House budget by \$18.7 million.
- \$270.1 million is allocated for income-eligible childcare.
- \$100 million is provided to fund the charter school reimbursement program for traditional public school districts. The Governor's proposal allocates \$80.5 million, and the House budget allocates \$90 million.
- The budget allocates \$518.7 million for the University of Massachusetts system, a total which is roughly equal to what the House proposed.
- \$68.9 million is provided for regional school transportation.

Local Aid

- \$1.1 billion is allocated for Unrestricted General Government Aid (UGGA). This matches the proposals of the Governor and the House and represents an increase of \$37.2 million, or 3.5 percent, above FY2018 levels.

Environment

- \$88.4 million is allocated to the Department of Conservation and Recreation to fund the state park system.
- The budget allots \$53 million for the Department of Environmental Protection to support clean air and drinking water standards. This exceeds the Governor's \$46.6 million proposal.

Other

- Between \$5 million and \$8 million is provided for funding related to the criminal justice reform bill.
- \$579.6 million is allocated to Sheriffs' offices around the state, and \$281.4 million is allocated to the State Police.
- Senators adopted an amendment that would bar state and local police from inquiring into someone's immigration status and prevent collaborations where state and county officials are deputized by Immigration and Customs Enforcement.
- An adopted amendment permanently legalizes daily fantasy sports and creates a special commission to study legalizing sports betting in Massachusetts.
- The Senate adopted sections that would add a \$2 surcharge to all car rentals in Massachusetts. The revenue from this surcharge would be dedicated to the Municipal Police Training Fund created in the recently enacted criminal justice reform legislation.

Next Steps

Now that the Senate has passed its budget, a six-member conference committee led by Senator Spilka and House Ways and Means Chairman Jeffrey Sánchez will negotiate differences between the two versions in June. The members of the conference committee have not yet been appointed. The reconciled budget will then go back to each branch for voting, finally landing on the Governor's desk. The Governor must sign the entire budget or veto parts or all of it before the beginning of the next fiscal year on July 1, 2018.

ML Strategies will continue to monitor the budget process as lawmakers further develop their spending plans for FY2019.

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