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STATE HOUSE NEWS SERVICE

STATE HOUSE, BOSTON, JULY 8, 2016......Gov. Charlie Baker signed a $38.92 billion annual budget on Friday, slashing $256 million in spending from a plan approved by the Legislature last week as part of a menu of actions taken to solve for declining revenue projections that have severely limited the state's ability to invest.

The second annual budget signed by Baker increases spending over the previous fiscal year by just $489 million, or a 1.3 percent, after officials blamed sluggish stock market performance for overly optimistic assumptions for tax collections over the next year.

Gov. Charlie Baker signed a $38.92 billion fiscal 2017 budget Friday and highlighted key components of the spending plan to reporters at an afternoon press conference. [Photo: Antonio Caban/SHNS]

While spending on local aid, education, Medicaid and pensions will grow this coming year, other areas of government will see relatively flat budgets for fiscal 2017, while Baker said the
Legislature, in the budget they sent him last week, underfunded other services for which he will seek to boost spending.

"Despite the difficult decision the fourth quarter of 2016 required us to make, we’re still able to fund increases to important state services without drawing down the stabilization fund or raising taxes," Baker said.

The Baker administration now assumes revenues will grow by $753 million, or 3 percent, in fiscal 2017, representing an $838 million decrease from expectations back in January. House and Senate leaders solved for a $750 million shortfall in the budget they compromised on last week, meaning lawmakers over the next three weeks will have to consider whether to go along with Baker's cuts or override his vetoes, which would be time-consuming given the volume of vetoes.

While the downturn in revenues has been chalked up to diminishing capital gains receipts, Baker described the "melt" as a reflection of investment-related tax collections coming "back to earth" and said he hoped to wean state government from an over-reliance of that type of tax receipt.

Despite highlighting how over his first two years in office he's had about half the annual revenue growth that's typical to put together a budget, Baker said he is not changing his mind that government does not need new taxes to make needed investments.

"I would describe this as a rightsizing of sorts," he said.

Administration and Finance Secretary Kristen Lepore said Friday that in order to balance the budget Baker had issued hundreds of vetoes, cutting spending from 303 line items and vetoing $60 million in earmarks, which accounted for roughly 500 of the 600 earmarks inserted into the budget by lawmakers for pet projects and local priorities in the their districts.

Baker said he was not trying to send a message to lawmakers that earmarks should be avoided on principle, but said he turned to them as a place to reduce spending and, in some cases, saw them as excessive additions for programs and departments that he said were already adequately funded.

For instance, all $9 million in earmarked spending within the Massachusetts Office of Travel and Tourism was crossed out by Baker's budget team.

Lepore said Baker also vetoed a line in the budget in order to allow the governor administratively to increase the employee health insurance contribution to 25 percent for all state employees. Currently, employees hired before 2003 pay 20 percent, but the Legislature has more than once rejected Baker's efforts to change the policy, which Lepore said would save $30 million.
Secretary of State William Galvin blasted the governor for the 1.4 percent cut his office felt by Baker’s veto pen, including $117,000 for the elections division and $4,000 to help pay for the first year of early voting, leaving that account with $396,000.

"Obviously we're very disturbed by what the governor did to our accounts, especially early voting. I know he’s a Republican and Republicans don't like early voting, but I think it's a 'Sneaky Pete' operation and it certainly won't help turnout," Galvin said.

Galvin said the total cost of early voting is still unknown, but his office is trying to help cities and towns who have expressed concerns. "The election is exactly four months from now. We can't make that up later in the year," he said.

Other vetoes include rate increases for indigent client attorneys and slash 1 percent of the court system's budget.

Gov. Baker's fiscal 2017 budget vetoes

Lepore said her office had also identified $56 million in non-veto solutions, including a sweep of $7 million in gas tax revenues that otherwise would have gone into a trust fund for the Massachusetts Department of Transportation and an assumption that agencies throughout government will underspend next year by at least $100 million.

Part of the reason the administration said it had to lower spending by a total of $412 million is because Lepore believes several accounts, including those for indigent counsel services, snow and ice removal and sheriffs, were underfunded by lawmakers and would require "unavoidable" supplemental spending later in the year.

To avoid that, Baker on Friday also filed a $279 million supplemental budget, with a net state cost of $177 million, to immediately boost spending in those areas. The spending bill will also add funding for the Department of Transitional Assistance and MassHealth to cover caseloads that House and Senate leaders reduced estimates for in order to achieve savings in their budget plan.

Another $5 million in supplemental spending will be requested to keep substance abuse prevention programs started in fiscal 2016 going, including money for emergency room recovery coaches, urgent care sites and Vivitrol.

Baker had previously announced that he would file an amendment to the budget to clarify a section intended to bring Massachusetts into compliance with the federal Real ID Act that would ensure people living in the state illegally cannot obtain a license or state identification card.

Overall, Baker signed 141 outside policy sections, while vetoing 36 sections and proposing amendments to the remaining 23 policy proposals, including one mandating coverage of Lyme disease.
One of those amendments, Lepore said, will be to increase the transfer from the state’s tobacco settlement fund for retiree health care and other benefits to 30 percent, costing an additional $52 million. The Legislature had lowered the transfer to 10 percent, but Lepore said bond rating agencies were expecting the 30 percent transfer to help cover the state’s non-pension retirement benefits liability.

The budget increases Chapter 70 aid for local school districts by $116 million, or 2.6 percent, and boosted unrestricted local aid by $42 million, or 4.3 percent.

The governor also preserved a $16 million increase in funding for the Department of Children and Families to support 281 new hires and a $13 million increase to $171 million for opioid abuse prevention programs, including 150 new adult residential recovery beds.

Lepore said the fiscal year that ended on July 1 is now projected to finish with revenues coming in $425 million to $475 million below projections - higher than the most recent $320 million to $370 million estimate - but expressed confidence that the administration has already taken the steps required to balance the fiscal 2016 budget. Her office is working to finalize a separate spending bill to cover expenses at MassHealth and elsewhere in the budget to close out the previous year.

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