✓ Numbered “line items” that specify the amounts that may be spent in individual programs
✓ Wording to earmark or constrain how some line item amounts are spent, and
✓ “Outside sections,” separate provisions that may authorize additional spending, or alter the state’s laws in ways that are totally unrelated to the budget.

After the budget is approved, it may be amended or added to over the course of the year, usually to provide money for programs that would otherwise run short of funds. At the end of the year, a final “wrap-up” spending bill is adopted, usually several months after the official close of the books on June 30th.

For much of the year, the budget is the major, and occasionally the sole, focus of the legislative process. Because the continued operation of state government depends on the spending authority it provides, the budget is the only legislation that must be acted on every year. Since it can include provisions on almost any subject—from tax laws and the organization of government to regulatory requirements and eligibility for state programs—it is considered by many lawmakers to be the surest, and speediest, way to get their legislative priorities implemented. Because lawmakers vote on the final budget as a whole, not piece by piece, legislation that might not win approval as a stand-alone bill—or even be recommended for adoption by the legislative committee responsible for reviewing the bill—is almost assured passage as an outside section.

RECOMMENDATIONS

MassINC offers the following recommendations as a way to jumpstart a statewide conversation on how to get the Commonwealth’s finances back on track:

• Minimize the effects on the state’s budget of capital gains tax revenues, which are, by their nature, highly volatile;

• Consider broadening the base of the tax revenue. While the broadening can be made revenue neutral by simultaneously reducing rates, such a change would inevitably shift a portion of the burden from some taxpayers to others. That said, tax increases in one area could be offset in another to ensure that no one group bears a disproportionate burden. This is a politically complicated option, and one that will take leadership, consensus building and compromise;

• Improve the transparency of Medicaid spending. While this federally-matching program has been leveraged strategically in certain instances, the state needs a better understanding of the cost drivers, given its size and impact on the state budget;

• Develop specific criteria for withdrawals from the reserve fund and limit the amount of withdrawals;

• Bring greater transparency to all government spending. Today’s large amount of off-budget spending obscures the picture and prevents revenues and spending from being reviewed together; and

• Create a greater urgency around outcome measurement; eliminate duplication; and end programs that have outlived their purpose. While public policy experts agree that the structural imbalance cannot be solved through administrative reforms and greater efficiencies alone, it is imperative that the state foster a sense of responsibility and accountability through regular outcome measurement.

THE FORMAL PROCESS OF BUDGET MAKING

Under the Massachusetts Constitution, every tax dollar that government spends must be appropriated — must be authorized to be spent. Each January the Governor is required to submit to the Legislature his budget recommendations for the operation of state government in the coming fiscal year, which begins on July 1.* He must also provide evidence that revenues will be sufficient to pay for the spending that he recommends.

The Legislature may add to, reduce, place conditions on, or strike completely any of the Governor’s spending proposals, and like the Governor, may include provisions that do not relate to budgetary expenditures at all. After lawmakers of both branches approve the budget — now in the form of a bill called the General Appropriation Act — it is sent to the Governor for his signature.

Although the Governor may decrease or eliminate specific appropriations in this bill, he cannot increase them. If the Governor does exercise this veto authority, his action can be overridden by a two-thirds votes in the House and Senate. Any additional spending that the Governor may propose during the course of the fiscal year must go through the appropriation process.

* In the Constitution, the term “budget” is reserved for this annual submission by the Governor.