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July 29, 2024

To the Honorable Senate and House of Representatives,

Pursuant to Section 5 of Article 63 of the Amendments to the Constitution, we are today signing H4800 *An Act Making Appropriations for the Fiscal Year 2025 for the Maintenance of the Departments, Boards, Commissions, Institutions, and Certain Activities of the Commonwealth, for Interest, Sinking Fund, and Serial Bond Requirements, and for Certain Permanent Improvements*, and returning certain portions to you for reconsideration.

This Fiscal Year 2025 (FY25) budget is the second our administration has developed in collaboration with the Legislature, and we are appreciative of the ongoing partnership as we work together to advance our shared goals of making Massachusetts a more affordable, equitable and competitive place to live, work and grow a business.

The budget we are signing today is a \$57.78 billion spending plan for FY25 that reflects 3.1 percent growth over last fiscal year, including \$1.3 billion of surtax spending, and keeps spending in line with the rate of inflation. As we settle into a post-COVID economic landscape, it is important that we continue to be fiscally responsible. This budget achieves that.

Importantly, we continue to invest in the programs and services that make a difference for our residents, supporting our cities and towns and public schools, pushing to make child care more affordable, investing in safe and reliable roads, bridges and public transit, protecting our environment and guarding against the impacts of climate change.

This budget fully supports another year of implementation of the Student Opportunity Act and, for the second year in a row, increases unrestricted local aid to municipalities by 3 percent. We are investing in a new program called Literacy Launch to ensure that our schools are using best practices to teach our young students how to read and that no one is falling behind. And we are committing the funding necessary to provide universal school meals to all our students.

I am also proud to say this FY25 budget accounts for a full year of the historic tax cuts enacted last year that have made a difference for families, renters, commuters, seniors and more as we continue to work to make Massachusetts a more affordable place to live.

Our administration and the Legislature are leading the way nationally by continuing to support \$475 million in Commonwealth Cares for Children (C3) grants, making permanent this critical program that provides a lifeline to child care providers. Massachusetts is the only state in the nation to maintain funding for this vital program at the same level as when it was supported by the federal government. And for the second straight year we have achieved a goal I set of making sure that not less than 1 percent of the state budget is dedicated to our environment and the Executive Office of Energy and Environmental Affairs.

The FY25 budget we are signing today shows how we can continue to use new revenues available through the voter-approved Fair Share tax law to make transformative investments in education and transportation.

With this funding source, I am proud to sign into law an initiative that will make community college free for all students, removing a barrier for residents looking to further their education and train for careers in professions that will help our economy grow and thrive. This initiative builds on the tremendous success of the MassReconnect program our administration launched this fiscal year, which led to major increases in student enrollment at community colleges across our system.

With Fair Share revenue, we are also investing in our higher education students, low-income fare relief at the MBTA, doubling the state's operating budget support to the T and wisely leveraging \$250 million to unlock more than \$1 billion in borrowing over the next 10 years for transportation infrastructure, including rail enhancements.

Over the past 12 months, we have seen the effects of climate change. Flooding has washed out roads and damaged crops from western and central Massachusetts to the coasts. We successfully secured some relief from the federal government and partnered with the House and Senate to provide \$15 million in supplemental aid to impacted cities and towns. But we know they need continued support to recover, rebuild and become more resilient.

That's why I am proud to be signing into law a new permanent Disaster Relief and Resiliency Fund, setting us up to be able to provide communities with direct aid when the next storm or natural event arrives.

I am also grateful to the Legislature for authorizing the closure of MCI Concord. This step reflects the progress we have made in lowering incarceration rates and will enable us to support the redevelopment of a property to benefit Concord and the surrounding communities.

These investments are possible because the state's economy remains strong despite slow revenue growth that we expect to continue into FY25. This budget relies on a consensus revenue estimate for Fiscal Year 2025 of \$40.202 billion, a 2 percent increase over adjusted Fiscal Year 2024 projected revenue, excluding surtax. It also conservatively budgets for \$1.3 billion in Fair Share tax revenue, and projects continued deposits into the state's Stabilization Fund.

But we also know there is some uncertainty in the economy as we start FY25. Interest rates reductions anticipated at the start of the year have not materialized and tax collections for FY24 have underperformed in some categories compared to our original expectations. Also, as is usually the case, there will be some deficiencies which will require active management. It is our responsibility to be good stewards of our resources and live within our means.

Therefore, I am vetoing approximately \$317 million in gross spending across 59 line-items in order to help ensure that we can deliver a balanced budget at the end of the fiscal year. Where possible, we have worked diligently to identify alternative funding sources to shield against impacts to services or keep spending in line with the budget recommendations we made in House 2. More details can be found in the attached line-item report.

I am pleased to be signing 258 of the 261 outside sections in the conference report. These include sections authorizing the closure of MCI Concord, modernizing the promotional examination process for uniformed members of the State Police, permitting individuals to amend their marriage licenses and birth certificates to accurately reflect their gender identity, establishing a special commission to review cost-of-living adjustments for members of the state employees' retirement system and state teachers' retirement system, and legalizing online Lottery games.

Pursuant to Article LVI, as amended by Article XC, Section 3 of the Amendments to the Constitution of the Commonwealth, we are returning Section 116 related to MassHealth annual notifications and Sections 219 and 220 related to Cambridge Health Alliance supplemental payments with recommendations for amendment.

Our reasons for doing so and the recommended amendments are set forth in separate letters that are dated today and included with this message as Attachments A to C, inclusive. We are hopeful the House and Senate will work with us to address the proposals returned with amendment so that we can sign them in short order.

FY25 Budget Highlights:

Fair Share

- \$761.5 million for education:
 - \$93.5 million for Mass Educate to build upon the success of Mass Reconnect and make community free for all

- \$244 million for K-12 education, including \$170 million to guarantee access to free meals for students across the Commonwealth and \$20 million for Literacy Launch
- \$278 million for early education and care, including \$65 million for provider rates and \$175 million to help support C3 grants
- \$239 million for higher education, including \$80 million for MassGrant Plus scholarships
- \$538.5 million for transportation:
 - \$250 million transfer to Commonwealth Transportation Fund to leverage over \$1 billion in borrowing for transformative infrastructure investment
 - \$20 million for Fare Equity at the MBTA
 - \$110 million for regional transit grants and free fares
 - \$45 million in supplemental Chapter 90 funding for municipal roads and bridges
 - \$10 million for MBTA Hiring Academy and recruitment initiatives

Education and Local Aid

- Fully funds the Student Opportunity Act with \$6.86 billion in Chapter 70 funding, a 4 percent increase over FY24
- Provides \$475 million for Commonwealth Cares for Children (C3) grants to early-education providers
- A \$104 increase in per pupil minimum aid
- Funds a 3 percent increase to Unrestricted General Government Aid
- \$15 million for early educator scholarships and loan forgiveness
- \$39 million for local and regional library aid

Housing and Homelessness

- \$326 million in Emergency Assistance to contribute to the state's ongoing shelter response
- \$219.2 million for the Massachusetts Rental Voucher program for low-income tenants
- \$57.3 million for HomeBASE to connect EA-eligible families with more permanent housing opportunities

Economic Development

- \$7.5 million for the Community Empowerment and Reinvestment Grant Program
- \$7.6 million for the Small Business Technical Assistance program
- \$3.7 million for the Massachusetts Office of Travel and Tourism
- \$600,000 for the Massachusetts Downtown Initiative for municipalities looking to revitalize their downtowns

Health and Human Services

- Fully funds the Chapter 257 rate reserve for human service providers at \$390 million
- Expands Transitional Aid to Families with Dependent Children and Emergency Aid to the Elderly Disabled and Children through a 10 percent benefit increase to \$496 million and \$183 million, respectively
- \$124.1 million for the Department of Developmental Services Turning 22 Program
- \$40.0 million to increase base rates for nursing facility providers
- \$14.7 million for maternal health services, including a new \$1.0 million investment for a doula certification program at the Department of Public Health
- \$5.5 million for Children's Advocacy Centers, a \$550 thousand increase over FY24
- \$2.0 million to fully support the Massachusetts Youth Diversion Program at the Department of Youth Services

Workforce Development

- Provides \$15.9 million for Summer Jobs Program for At-Risk Youth (Youthworks) to subsidize wages and facilitate career development for at-risk youth
- Provides \$9.6 million for Career Technical Institutes
- Includes \$3.3 million for the Registered Apprenticeship Program to fund approximately 1,000 placements
- \$8.9 million for MassHire Career Centers to provide regional workforce training and employee placement services across 29 locations

Serving Our Veterans

- Funds the Veterans' Services at \$193.5 million, an 11 percent, increase from FY24 GAA
- Provides historic levels of support for the Chelsea and Holyoke Soldiers' Homes with a combined \$87.4 million

Energy and the Environment

- Appropriates 1 percent of total FY25 GAA spending to the Executive Office of Energy and Environmental Affairs, which includes:
 - \$10 million for Food Security Infrastructure Grants
 - \$20 million for the Massachusetts Clean Energy Center to support wind technology, clean homes, and workforce training programs in the clean energy industry
 - \$8.7 for environmental justice million for a decarbonization clearinghouse for energy efficiency, electrification, and storage

- \$42.3 million for emergency food assistance
- \$14 million in consolidate net surplus to support new Disaster Relief and Resiliency Fund

Criminal Justice and Public Safety

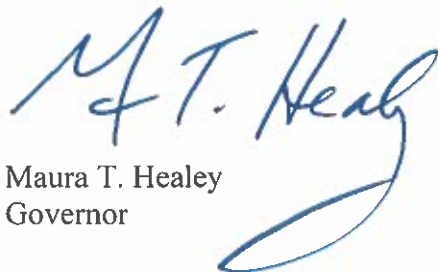
- \$16 million in savings through the closure of MCI Concord
- \$5.3 million for Non-profit Security Grants
- \$13.3 million for gang prevention grants

Technology and Cybersecurity

- Codifies the Digital Accessibility and Equity Governance Board, and the position of Chief IT Accessibility Officer (CIAO)
- \$4.2 million for technology modernization and hardware maintenance contracts
- \$700,000 for advanced threat protection software and other upgrades

I once again thank the Legislature for its ongoing partnership and working with us to deliver a responsible and impactful FY25 budget that will deliver for the people of the Massachusetts.

Respectfully Submitted,



Maura T. Healey
Governor



Kimberley Driscoll
Lieutenant Governor