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To the Honorable Senate and House of Representatives:

Pursuant to Section 9C of Chapter 29 of the Massachusetts General Laws, Administration and Finance Secretary Matthew Gorzkowicz has advised me of a year-to-date budgetary shortfall totaling \$1 billion in fiscal year 2024. This letter and attached documents detail the spending reductions I am undertaking to alleviate the shortfall and recalibrate the fiscal year 2024 budget.

Current revenue trends indicate that Massachusetts will be facing a shortfall at the end of fiscal year 2024. Collections through December 2024, the mid-way point of the fiscal year, have totaled \$17.869 billion. This is a 0.3% increase over Fiscal Year 2023 through December. In other words, revenue growth is flat. Tax revenues through December are \$769 million below the year-to-date benchmark, and December was the sixth successive month of below-benchmark tax revenue performance.

To ensure the long-term financial health of Massachusetts, we cannot wait to rebalance the fiscal year 2024 budget. Our administration is decreasing the fiscal year 2024 tax revenue estimate by \$1 billion to \$40.41 billion, inclusive of surtax revenues.

I am also taking actions to bring spending and investments in line with available resources. These actions include \$375 million in net spending reductions at Executive Branch agencies under my authority to rebalance accounts under Section 9C of Chapter 29. These reductions represent 0.7% of the budget and were identified in close partnership with my Cabinet Secretaries and their teams. Alongside these spending reductions, we have also identified certain revenue opportunities to increase non-tax revenue by an estimated \$625 million, which will address the remaining shortfall.

In crafting spending reductions, we have done our very best to protect investments that are critical to Massachusetts's future, limit impacts to programs and services and to avoid negative impacts to the most vulnerable of our residents. In addition, we have refrained from any reductions to Local Aid and school funding.

Our administration is focused on making Massachusetts more affordable. It's why we passed an historic tax cuts package last year to provide relief for families at a time when costs are rising. A majority of the tax relief will go to low- and middle-income residents – seniors, renters, families, commuters – starting this spring. It includes the most generous child and family tax credit in the country, and those dollars will be spent on the local economy. The tax package was fully paid for in the budget and had no impact on spending reductions.

We have earned and maintained very strong bond ratings by carefully managing the budget and taking decisive action when warranted. Consistent with our demonstrated commitment to fiscal responsibility, I am taking the foregoing steps to ensure that the fiscal year 2024 budget is balanced.

With these reductions, we believe we can keep the FY24 budget in balance and continue to further our shared goals to make Massachusetts more affordable, competitive and equitable.

Respectfully submitted,



Maura T. Healey