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October 14, 2020

To the Honorable Senate and House of Representatives,

Today, pursuant to section 7H of chapter 29 of the General Laws, we submit to you a revised Fiscal Year 2021 (FY21) House 2 budget recommendation to continue essential government services and promote economic growth and stability amidst the COVID-19 pandemic.

The Administration filed the previous House 2 budget in January, months before the onset of significant budgetary and economic impacts from COVID-19. Our updated budget proposal reflects new levels of demand for certain government services as well as new revenue projections which were revised from the January 13 consensus revenue agreement.

We have worked closely with you to carry out a historic response to COVID-19, protecting the health and safety of Massachusetts residents by addressing critical priorities such as public health, Personal Protective Equipment (PPE), food security, economic development, health care and human services, and support for local cities and towns. This fiscally disciplined proposal continues to build on our partnership by funding critical programs and services that matter to the people of the Commonwealth.

The Administration's revised proposal protects local aid for cities and towns and sustains eligibility and benefit levels in social safety net programs – all without relying on new taxes. It maximizes the use of available revenue from the federal government to provide core government services and ensure adequate staffing and capabilities for the ongoing COVID-19 response, while limiting future budget exposure as economic uncertainty continues.

Thanks to our collaborative fiscal responsibility over the past five years, Revised House 2 continues support for key priorities including education, transportation, housing, workforce development, substance misuse treatment and prevention, behavioral health, and the environment, and includes new funding to support small businesses.

Revised House 2 authorizes a withdrawal of up to $1.35 billion from the Stabilization Fund which would be reduced should tax collections or new federal revenue exceed our current conservative assumptions. The $1.35 billion withdrawal represents less than 3% of the budget and is consistent with the Administration's focus on flexibility and discipline during the COVID-19 emergency. This proposal would leave the fund with a balance of approximately $2.21 billion, a significant buffer in the event of future budgetary constraints in Fiscal Year 2022 and beyond.

The budget proposes a total of $45.5 billion in gross spending, excluding the Medical Assistance Trust Fund transfer, which reflects approximately 3.8% growth in spending over Fiscal Year 2020 (FY20). This represents an increase over the original House 2 spending proposal, primarily because of increased caseload costs at MassHealth related to the COVID-19 pandemic.

Notwithstanding the economic challenges caused by COVID-19, the Administration continues to promote record investments in Massachusetts students and provide them with the resources and opportunities necessary to succeed. Between federal and state sources, the total education funds available for spending will be higher than originally proposed in House 2, which fully funded the first year of the Student Opportunity Act.

To help support Main Streets throughout Massachusetts and generate growth and opportunity, Revised House 2 recommends over $100 million in additional funding for a small business recovery plan. This new initiative will be supported by the sales tax acceleration and it will assist local communities and small and diverse businesses across the Commonwealth as they navigate the new economic landscape.

The revised budget incorporates the commitment by the Administration and the Legislature to provide local cities and towns with no less than the FY20 level of funding for Unrestricted General Government Aid (UGGA) and Chapter 70 education funding in FY21. This translates to a Chapter 70 investment of $5.284 billion – an increase of nearly $108 million over FY20 spending – as well as an UGGA investment of $1.129 billion. Revised House 2 includes $4 million for Community Compact-related programs including best practices and regionalization and efficiency grants, as well as $3 million for district local technical assistance and $4.75 million for the Public Safety Staffing Grant Program. These programs provide all 351 cities and towns with access to grant funding and resources to ensure quality services for their residents.

To help train 20,000 new workers in skilled trades and technical fields over four years, Revised House 2 recommends $8.4 million in additional funding for transforming vocational high schools into Career Technical Institutes. This initiative will increase student demand, involve businesses in program development and credentials, reduce barriers to licensure, and create incentives for completion and post-graduate employment.

Accordingly, we are submitting for your consideration the enclosed materials. The first two attachments detail updated revenue projections. The third attachment recommends updated spending amounts for each item included in the Revised House 2. The fourth details new items and items where language recommendations have been modified from what was initially filed in January. The fifth constitutes a revised section 3 relative to local aid distribution. Finally, in the sixth attachment, we are providing a complete set of outside sections that replaces sections 4 through 111 of our original House 2 filing.

We enjoy a strong relationship with both the House and Senate and recognize the need to quickly adopt a full Fiscal Year 2021 budget that funds essential government services and programs across Massachusetts in order to avoid future budgetary challenges and constraints. We appreciate your prompt consideration of these recommendations.

Sincerely,

Charles D. Baker
Governor

Karyn Polito
Lieutenant Governor