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July 17, 2017

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 House Bill 3800, "An Act Making Appropriations for the Fiscal Year 2018 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.

The Fiscal Year 2018 (FY18) budget, the third of this administration, once again provides funding for stronger and safer communities, education, health care coverage, transportation, and important social service programs for mental health, substance misuse, children, and seniors.

The \$39.43 billion spending plan represents a 1.7% growth rate over estimated spending in Fiscal Year 2017 (FY17),¹ well within the rate of projected state tax revenue growth of 2.7%. This budget does not rely upon new taxes or fees to achieve balance and assumes an estimated \$98.4 million increase to the Stabilization Fund. For the third year in a row, the signed budget also reduces the use of one-time revenue to \$125 million, which is approximately 90% less than the one-time revenue use in the Fiscal Year 2015 (FY15) budget.

Some key FY18 budget highlights:

Building Stronger and Safer Communities:

- An increase in Unrestricted Local Aid of \$39.9 million, or 3.9%, to \$1.062 billion
- \$6.8 million for the Community Compact related programs, in which nearly 300 communities have joined since its inception in 2015
- \$6 million for Shannon Grants to support gang-prevention initiatives
- \$3.5 million for a new State Police division focused on homeland security, criminal intelligence, and counter-terrorism
- \$2.9 million for a new state police class of 145 recruits

¹ This calculation excludes from both years transfers to the Medical Assistance Trust Fund, which provides payments to certain publicly-supported hospitals.

Education:

- The highest-ever level for Chapter 70 education aid, \$4.747 billion, an increase of \$118.9 M (2.6%) over FY17 estimated spending
 - At least a \$30 per pupil increase for all 322 operating districts
 - An increase of \$25 million to be used as a down payment on the rising cost of health care for retirees
- \$38.5 million for Early Education Care rate increases

Mental Health:

- \$60 million for a new clinical care contract for Bridgewater State Hospital
- A \$1.75 million increase for 45 additional Section 35 beds for men in MASAC Plymouth

Health and Human Services:

- A total of \$185.3 million for substance misuse, not including MassHealth spending, an increase of over 50% since FY15
- \$23.1 million for the Department of Developmental Services “Turning 22” Program, a \$5.6 million increase
- A \$9.8 million increase to support the annualization of 450 new hires at the Department of Children and Families

Veterans:

- A new \$2,000 annual tax credit for companies with 100 or fewer employees that hire an unemployed veteran
- An update to the \$2,000 benefit for Gold Star Families to provide retroactive benefit payments

Workforce Skills and Housing:

- Learn to Earn—\$1 million for a new initiative to provide employment and credentials for unemployed and underemployed individuals
- A \$9.1 million increase, to a total \$92.7 million, for the Massachusetts Rental Voucher Program including new standards to allow families to keep their vouchers as they grow their income

Transportation:

- An transfer of \$127 million in operating funds to the Massachusetts Bay Transportation Authority (MBTA), which combined with \$60 million in new capital funding in the administration’s FY18 Capital Investment Plan, totals \$187 million in state support for the MBTA over and above the \$1 billion sales tax transfer
- A new law authorizing Pension Reserves Investment Management Board to manage the assets for MBTA retirees

We appreciate the work of the Legislature in delivering the FY18 conference report. There remain, however, additional items within the conference committee report that we believe require additional corrective actions, including revenue, spending, and a comprehensive package to address MassHealth and insurance market reforms.

Based upon projected FY17 year-end revenue and within a range of updated forecasts from economists provided last month, our actions approving the budget today assume \$749 million less in state tax revenue than originally projected for FY18. This amount is \$99 million lower than the assumptions upon which the conference report was based.

While the conference committee report provides a new \$104 million reserve that authorizes the administration to address some known deficiencies, we believe there are \$198 million in unavoidable deficiencies that will need to be addressed in FY18, including the Committee for Public Counsel Services and the Emergency Assistance program. For this reason, we are filing a separate FY18 supplemental budget of \$94 million in conjunction with today's budget signing.

We are also returning with amendment and filing additional components of our MassHealth reform package. Passage of this package in its entirety, a set of changes supported by many stakeholders, is essential to the long-term sustainability of the MassHealth program and the state budget.

Given these factors and as required, we are taking corrective measures in order to balance the budget and maintain fiscal stability. Specifically, we are vetoing \$320 million gross (\$193 million net) in line-item and outside section spending. Of the 150 outside sections presented in the conference report, we are signing 116, vetoing 9 and amending 25.

Therefore:

- We are reducing appropriation amounts in items of section 2 of House 3800 that are enumerated in Attachment A of this message, by the amount and for the reasons set forth in that Attachment;
- We are disapproving, or striking wording in, items of section 2 of House 3800 also set forth in Attachment A, for the reasons set forth in that Attachment;
- We are disapproving those sections of House 3800 itemized in Attachment B of this message for the reasons set forth in that Attachment; and

- Pursuant to Article LVI, as amended by Article XC, Section 3 of the Amendments to the Constitution of the Commonwealth, we are returning sections 5, 8, 13, 16, 17, 30, 60-67, 87, 93, 109-111, 122, 125, 138, 146, 147 and 150 with recommendations for amendment. Our reasons for doing so and the recommended amendments are set forth in separate letters dated today which are included with this message as Attachments C to K, inclusive.

Respectfully Submitted,



Charles D. Baker
Governor



Karyn E. Polito
Lieutenant Governor