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Governor Baker Signs Fiscal Year 2021 Budget and Proposes Additional Resources for Small Businesses, Education, and Police Oversight

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Governor Baker Signs FY21 Budget, Proposes Further Resources for Small Businesses, Education, and Police Oversight

BOSTON — Governor Charlie Baker today signed the Fiscal Year 2021 (FY21) budget into law, a $45.9 billion plan that protects core government services amidst the COVID-19 pandemic while making substantial investments in economic development and education. This financially responsible budget does not rely on new taxes and maintains significant financial reserves for the future.

Additionally, the Baker-Polito Administration today is filing a $107.4 million supplemental budget bill for Fiscal Year 2021 entitled *"An Act Making Appropriations for Fiscal Year 2021 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects."* (**read filing letter** (/doc/fy21-budget-signing-letter/download)) This bill authorizes $49.4 million to fully fund the economic recovery and small business relief plan included in the Administration's revised FY21 budget proposal and support the unique needs of small and minority- and women-owned businesses across the Commonwealth. The legislation also includes $53 million for targeted measures to address learning gaps and strengthen educational quality for students during the COVID-19 pandemic, as well as $5 million in start-up funds for the Peace Officer Standards and Training (POST) Commission, which is proposed in pending legislation, and funding for the Municipal Police Training Committee.

"I am signing this balanced budget because it is fiscally responsible, and maintains our strong commitment to delivering essential government services to the people of Massachusetts amid the COVID-19 pandemic – all without raising taxes," **said Governor Charlie Baker.** "Since taking office in 2015, our Administration has worked to ensure fiscal discipline, build up and protect our financial reserves, and invest in key priorities throughout the Commonwealth. The FY21 budget and this supplemental spending bill will generate economic growth and support small businesses, promote equity, and increase educational opportunity. Our Administration is proud to have worked across the aisle with lawmakers to put this spending plan in place as we fight the pandemic together."

"This responsible plan delivers vital support to every city and town at a critical time in this public health emergency," **said Lieutenant Governor Karyn Polito.** "The Fiscal Year 2021 budget also invests significantly in care for older adults, sexual assault and domestic violence prevention initiatives, support for children and families, and substance abuse treatment. The additional funding we propose today will deliver much needed

financial aid for businesses such as restaurants and those hit hardest by the pandemic, and we urge the Legislature to approve these funds quickly."

"We thank our colleagues in the House and Senate for their collaboration and partnership throughout the many challenges associated with arriving at a final FY21 budget," **said Administration and Finance Secretary Michael J. Heffernan.** "While actual tax collections during the first half of Fiscal Year 2021 have so far exceeded revised projections, we continue to maintain fiscal responsibility by prioritizing investments in core government services and protecting the Commonwealth's financial reserves as economic challenges resulting from COVID-19 are likely to continue into Fiscal Year 2022."

Fiscal Overview

This FY21 budget incorporates an upgraded $28.440 billion tax revenue forecast. This represents an increase of $459 million over the revised tax projection announced in October, based off better-than-expected actual tax collections in recent months, plus adjustments in the enacted budget, most notably sales tax acceleration. The budget includes a total of $45.9 billion in gross spending, excluding the Medical Assistance Trust Fund transfer, which reflects approximately 4.5% growth in spending over Fiscal Year 2020 (FY20).

The budget includes an expected withdrawal of $1.35 billion from the Stabilization Fund, which would be reduced in the instance of increased tax collections or new federal revenue. The $1.35 billion withdrawal is consistent with the Administration's focus on flexibility and supporting one-time spending needs as part of the response to the COVID-19 emergency. This 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 balance of the Stabilization Fund has increased threefold since 2015 and is currently $3.5 billion because of the collaborative fiscal discipline of the Administration and Legislature.

The FY21 budget modernizes the timeline for sales tax remittance and collection, which has not been significantly updated in decades. This modernization effort takes advantage of widely available technologies and capabilities and directs businesses that have collected and remitted more than $150,000 in sales tax or $150,000 in room occupancy and meals tax in the prior calendar year to remit collections from the first three weeks of each month in the final week of the same month. These reforms will not impact consumers or nearly 95% of Massachusetts businesses, and are focused on the largest companies in the Commonwealth, many of which have benefited from the changing economic landscape and new consumer patterns.

Investing in Massachusetts

Despite the fiscal challenges caused by the COVID-19 pandemic, the Commonwealth continues to support record investments in Massachusetts' students and ensure they have the opportunities and resources to grow and succeed. The FY21 budget includes a $108 million increase in the annual Chapter 70 investment, which complements the $442 million in new federal supports that is available to K-12 schools to assist with educating our students during the public health crisis.

To generate economic growth amidst the COVID-19 pandemic and support Main Streets across Massachusetts, the FY21 budget includes over $82.4 million in funding for economic recovery and development efforts. In addition, the Administration today filed a supplemental budget bill that includes $49.4 million to further support the unique needs of small and diverse businesses by fully funding the Administration's economic recovery and small business relief plan. The additional funding in the supplemental

budget bill would fully support the Administration's economic recovery and small business relief plan included in the revised FY21 budget proposal submitted in October.

The FY21 budget protects essential government services by maintaining the FY20 Unrestricted General Government Aid (UGGA) investment of $1.129 billion to local cities and towns. The budget protects eligibility and benefit levels for social safety net programs such as MassHealth, Transitional Aid to Families with Dependent Children (TAFDC), child-care vouchers, Prescription Advantage, Home Care, Chapter 115 veteran benefits, and the Turning 22 program. It also preserves Chapter 257 rate increases using an updated rate methodology that better reflects the cost of benchmarking direct care and clinical staff wages.

This FY21 budget continues support for the Community Compact Cabinet Program, which is chaired by Lieutenant Governor Polito and provides municipalities with meaningful assistance and resources in delivering quality services to the Commonwealth's citizens. The budget includes $2 million in funding for Community Compact related programs including best practices and regionalization and efficiency grants, and an additional $2 million for these programs is included in the supplemental budget filed today to further support communities during this critical time. The budget also includes $4.8 million for the Public Safety Staffing Grant Program managed by the Executive Office of Public Safety and Security, as well as $3 million for district local technical assistance.

The FY21 budget continues the Administration's efforts to improve outcomes for patients and increase access to care in order to ensure the health and safety of individuals and families across Massachusetts. The budget funds the Executive Office of Health and Human Services (EOHHS) at $25.470 billion, excluding supplemental payments to hospitals, a $2.175 billion (9%) increase over the FY20 budget. This includes $160 million for Chapter 257 human service provider rate increases under the new rate methodology, which reflects the Administration's ongoing commitment to supporting human service programs and providers.

Given the COVID-19 pandemic's impact on seniors and high-risk individuals, the Commonwealth continues to make significant investments in supporting older adults and ensuring they have adequate care during this challenging time. The budget funds the Executive Office of Elder Affairs at $598.9 million, which furthers the Administration's commitment to supporting older adults in Massachusetts to remain active, contributing and engaged members of their communities.

The FY21 budget includes $17.5 million in support of grants to Local Councils on Aging and an increase of $9.7 million above the FY20 budget to support consumer growth in the state Home Care Program, which provides care management and in-home support services to help eligible elders age in place. The budget also includes a $4.7 million increase for the Community Choices Program, which provides MassHealth-eligible elders with nursing facility levels of need with home care support.

The Baker-Polito Administration recognizes that the challenges of COVID-19 have exacerbated existing housing concerns and disproportionally impacted vulnerable populations. The Administration recently announced a comprehensive set of resources, known as the Eviction Diversion Initiative, which includes a $171 million total commitment this fiscal year for new and expanded housing stability programs.

The FY21 budget continues support for the most vulnerable populations, providing $182.7 million for the Emergency Assistance family shelter system, of which $1.8 million will help support 40 new family shelter units that are compliant with the Americans with Disabilities Act in order to accommodate homeless families that

include a person with disabilities. The budget provides $56.4 million to maintain an estimated 3,036 beds, services, and day programs at homeless shelters for individuals, as well as $135 million for the Massachusetts Rental Voucher Program (MRVP), $80 million for local housing authorities, and other significant investments.

The COVID-19 pandemic and the resulting economic challenges have impacted the livelihood of employers and workers across the Commonwealth. The FY21 budget provides a total of $5.5 million in funding to transform vocational high schools into Career Technical Institutes running three shifts per day. This initiative is designed to train new workers in skilled trades and technical fields including plumbing, HVAC, manufacturing, and robotics. This will consist of a combination of enrolling more high school students in high-impact vocational trade programs and expanding capacity for adults to earn industry-based credentials, aligned to apprenticeships and post-secondary degrees.

The FY21 budget includes over $30 million to continue supporting the recommendations of the Black Advisory Commission (BAC) and the Latino Advisory Commission (LAC) with numerous significant investments. This includes funding for workforce development training programs, Youth Work Summer Jobs, entrepreneurs, workforce training, early college, teacher diversity, small business development, financial literacy, and job placement programming.

To continue combating the opioid epidemic, the budget includes $264 million across several state agencies for substance misuse treatment and service. This represents a $31.9 million increase over FY20 and a total increase of $144.8 million since FY15, not including MassHealth.

The Baker-Polito Administration recognizes that in some instances, the COVID-19 pandemic and the need for social distancing have increased risks for survivors of sexual assault and domestic violence. The FY21 budget includes a total investment of $95.8 million for sexual assault and domestic violence prevention services, a $15.5 million (19%) increase over the FY20 budget and a 48% increase from FY15.

Outside Sections and Earmarks

The Administration also signed several outside sections attached to the FY21 budget. One such section promotes road safety by permitting the Registry of Motor Vehicles to require drivers who have been granted a hardship license following a DUI offense to drive with an ignition interlock device.

The Governor also signed outside sections corresponding to two proposals that were filed in the Administration's comprehensive health care legislation, originally filed last fall. One such proposal promotes access to behavioral health services by encouraging behavioral health practitioners to accept insurance. It requires insurers, including MassHealth, to use a standardized credentialing form so providers only need to complete one application. The second such proposal promotes timely access to appropriate behavioral health treatment by prohibiting payers from denying coverage or imposing additional costs for same-day behavioral health and certain medical visits.

The Administration recognizes there are many items funded in the budget during this difficult fiscal year that are one-time in nature and related to the COVID-19 pandemic and maintains these should not be considered as expansions on base funding. Notably, as part of the budget-signing, Governor Baker, signed all the approximately $80 million in earmarked funding. These resources support one-time local projects in communities throughout the state, with funding slated to go out by the end of the fiscal year. The Governor

vetoed $167 million in gross spending. Of 113 outside sections, the Governor signed 96, and returned 17 to the Legislature with proposed amendments.

Key FY21 Highlights Include:

Core Services

- Increases Chapter 70 education aid to local municipalities by $108 million – for a total investment of $5.284 billion
- Maintains the FY20 Unrestricted General Government Aid (UGGA) investment of $1.129 billion to local cities and towns
- $2 million in funding for Community Compact related programs including best practices and regionalization and efficiency grants
- $4.8 million for the Public Safety Staffing Grant Program managed by the Executive Office of Public Safety and Security
- $3 million for district local technical assistance

Economic Development

- $82.4 million in additional funding for economic recovery and small business efforts
    - $17.5 million for grants for small businesses, particularly businesses in underserved markets, minority-owned, women-owned, and veteran-owned businesses, and those who have not yet received federal aid
    - $17.5 million for community development financial institutions (CDFI) grants and loans
    - $15 million for a Community Empowerment and Reinvestment Grant Program
    - $7.5 million for matching grants for capital investments by businesses with twenty or fewer employers
    - $6 million total for regional recovery planning grants, an increase of $5 million over FY20
    - $5 million for small business technical assistance
    - $5 million for Community Foundation Grants
    - $5 million for Community Action Agencies
    - $3.9 million for technical assistance and grants, including for small business online and digital tools
- This is in addition to the $49.4 million included in the supplemental budget bill filed today, which would help support the unique needs of small and diverse businesses by fully funding the Administration's economic recovery and small business relief plan.

Food Security

- $30 million for Emergency Food Assistance during the pandemic
- $13 million for the Healthy Incentives Programs to address food insecurity exacerbated by COVID-19

K-12 Education

- $108 million increase in the annual Chapter 70 investment
- Recognizes at least $442 million in new federal supports for K-12 schools to assist with educating our students during the public health crisis

Early Education

- $836 million for Early Education and Care
- $40 million for future revisions to the sliding parent fee schedule reductions in parent contributions and paying for parent fees as provider supports
- $25 million for COVID-19 support for the workforce and providers

Higher Education

- $1.328 billion investment for the Department of Higher Education, University of Massachusetts, and state universities and community colleges, representing a $44.6 million (3.5%) increase over the FY20 budget
- Approximately $900,000 increase above the FY20 budget for financial aid and fee waiver programs at college campuses to maintain support for students currently or previously in the custody and care of the Department of Children and Families (DCF), or who have been adopted through DCF

Health and Human Services

- $25.470 billion for the Executive Office of Health and Human Services (EOHHS), excluding supplemental payments to hospitals, a $2.175 billion (9%) increase over the FY20 budget
- $160 million for Chapter 257 human service provider rate increases under a new rate methodology that better reflects the cost of benchmarking direct care and clinical staff wages

Caring for Seniors

- $598.9 million for the Executive Office of Elder Affairs
- $17.5 million in support of grants to Local Councils on Aging and an increase of $9.7 million above the FY20 budget for the Home Care program
- $4.7 million increase for the Community Choices Program

MassHealth

- $18.261 billion gross, $6.608 billion net funding for MassHealth, a change of 10.1% gross, approximately level on a net basis to the FY20 budget
- These changes incorporate COVID-19 related increases in caseload support and members, as well as costs for the public health response and provider relief
- This investment also includes the conclusion of the temporary, enhanced Employer Medical Assistance Contribution that was completed at the end of calendar year 2019, per statute

Children and Families

- $1.084 billion for the Department of Children and Families, marking a $257 million increase since 2015
    - $9 million to support continued progress toward a maximum caseload level of 15 clients per caseworker
    - $7.1 million to sustain investments made in FY20 for the expansion of support and stabilization services for foster parents, and services and supports for transition-age youth
- $10 million for the Safe and Successful Youth Initiative

Individuals with Disabilities

- Fully funds the Turning 22 Program at the Department of Developmental Services (DDS) and other agencies
- $2.134 billion for DDS, an increase of $40.8 million over the FY20 budget

Behavioral Health

- $911.6 million for the Department of Mental Health
- $91 million for Adult Community and Clinical Services
- $10 million for inpatient behavioral health beds
- $6.5 million for DMH's jail and arrest diversion programs

Housing and Homelessness

- $182.7 million for the Emergency Assistance family shelter system
- $135 million for the Massachusetts Rental Voucher Program (MRVP)
- $80 million in funding for local housing authorities
- $56.4 million to maintain an estimated 3,036 beds, services, and day programs at homeless shelters for individuals
- $50 million for Residential Assistance for Families in Transition (RAFT)

Transportation

- $1.302 billion in total operating budget transfers for the MBTA, an increase of $98 million over FY20
- $381 million in the Massachusetts Department of Transportation (MassDOT), an increase of $35 million over FY20 to fund snow and ice operations
- $90.5 million for Regional Transit Authorities
- $800,000 increase for the Merit Rating Board

Black Advisory Commission and Latino Advisory Commission

- Over $30 million to continue implementing recommendations
    - $5.9 million for Adult Basic Education (ABE)

- $3.1 million to continue recruitment efforts to enroll more Black and Latino youth in Youth Works Summer Jobs
- $2.5 million to fund a grant program which invests in local entrepreneurs and support workforce trainings through the Executive Office of Housing and Economic Development
- $1.5 million for the STEM Pipeline Fund
- $750,000 to expand the “Learn to Earn” initiative

Sexual Assault and Domestic Violence

- $95.8 million to address this key priority, a $15.5 million (19%) increase over the FY20 budget and a 48% increase from FY15
- $50.3 million in funding for the Department of Public Health to carry out domestic violence and sexual assault prevention and survivor services, as well as emergency and transitional residential services for victims and their children
- $32.9 million for providing shelter, services, and housing assistance for individuals and families who are victims or at risk of domestic abuse in their current living situations
- $6.8 million to support statewide sexual assault nurse examiner programs for adults and adolescents in hospital settings, and pediatric sexual assault nurse examiner programs in child advocacy centers

Combating the Opioid Epidemic

- $264 million across several state agencies for substance misuse treatment and services, a $31.9 million increase over FY20 and a total increase of $144.8 million since FY15 (not including MassHealth)

Criminal Justice and Public Safety

- $733.9 million for the Department of Correction, including $203.3 million for medical and mental health contract costs
- $399.4 million for State Police public safety and crime lab operations and includes support for the 86th RTT class
- $62.9 million to continue funding for the clinical contract at Bridgewater State Hospital
- $11.3 million in funding for the Shannon Grant program to fund anti-gang and youth violence prevention efforts
- $10.4 million to fully fund tuition and fee waivers for National Guard members
- $5.4 million for the Municipal Police Training Committee which develops, delivers, and enforces training standards of municipal, University of Massachusetts, and Environmental police officers

Modernizing and Security Government IT

- $135.6 million for the Executive Office of Technology Services and Security to support
    - Managing a new cybersecurity operations center which provides 24/7 monitoring capabilities of systems to identify and help mitigate potential cyber threats

- Implementing a security incident event management software platform for threat monitoring and analytics
- Centralized software and IT contract compliance program

Energy and the Environment

- $301.7 million for the Executive Office of Energy and Environmental Affairs (EOEEA)
- $100.9 million for the Department of Conservation and Recreation
- $62.5 million for the Department of Environmental Protection (DEP)
- $32.3 million in funding for the Department of Fish and Game
- $20.8 million for the Department of Public Utilities
- $4.5 million for the Department of Energy Resources
- $1.4 million to address the spread of mosquito-borne diseases like Eastern Equine Encephalitis

To access the FY21 budget, please click **here** (/gaa).

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