

July 16, 2021

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 4002, “An Act Making Appropriations for the Fiscal Year 2022 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 2022 (FY22) budget, the seventh of this Administration, puts the Commonwealth on a steady path and promotes economic growth and opportunity as we emerge from the COVID-19 pandemic. It fully funds the implementation of the landmark Student Opportunity Act, and provides substantial support for stronger and safer communities, transportation, and health care, and sustains social service programs for mental health, substance misuse, children, and seniors.

Supported by a tax reforecast worth over \$4.2 billion, of which \$3 billion remains on budget after certain statutory transfers, the enacted budget adds approximately \$2.9 billion in spending to the budget I filed in January. More than half (\$1.4 billion) of this higher spending is in the MassHealth budget, where the extension of the federal public health emergency leads to higher enrollment projections, but also higher federal reimbursement that offsets the spending increase. Another large share (\$600 million) comprises one-time transfers for future pension and education funds. The remainder (\$900 million) reflects a wide array of shared priorities.

The budget as enacted is in structural balance, with no planned Stabilization Fund draw. Rather, due to a statutory mechanism designed to buffer the budget from market fluctuations, revised capital gains tax collections are forecast to result in a \$1.2 billion transfer into the Stabilization Fund during FY22, bringing the total balance to \$5.8 billion, an increase of \$4.7 billion since the beginning of the Baker-Polito Administration.

In the six months since I filed the first draft of this budget, the reopening of the economy has allowed our residents to start to reengage with the routines of public life. Meanwhile, to an almost unprecedented degree, federal fiscal and monetary policies have supported household, business, and government spending. As a result of this economic activity, tax collections this spring substantially exceeded forecasts.

These trends support a significant tax reforecast for FY22, but we must remain alert to the risk that economic activity has been bolstered by ultimately unsustainable levels of federal spending, and that our currently high tax revenue growth might slow down as federal emergency spending phases out. Reflecting this mixture of confidence and caution, the Legislature proposed that we set aside \$600 million in this budget for future education and pension costs (\$350 million and \$250 million respectively). We applaud the instinct to use unanticipated revenue for future liabilities, but respectfully suggest that we could achieve the same result, with less risk, by making those transfers from the Fiscal Year 2021 (FY21) surplus rather than a projected future surplus.

I point out that I am signing approximately \$90 million in earmarked funding, as these resources support one-time local projects in legislative districts throughout Massachusetts. Many of the municipal earmarks could be funded with federal funds available at the local level; however, where we have sufficient state funds to support these projects, we defer to the Legislature's designation of these projects as essential. I am vetoing \$7.9 million in spending that I see as problematic for reasons specific to the particular line items involved.

Given the Commonwealth's fiscal position, I am vetoing an outside section which would have delayed the implementation of the charitable tax deduction. This deduction was approved by voters twenty years ago and slated to go into effect when state finances allow, and the combination of strong state revenues and serious needs facing non-profits and charitable organizations necessitates this tax deduction's going into place.

After vetoes, the \$47.6 billion spending plan I sign today represents an approximately 3.6% growth rate over FY21 excluding certain trust fund transfers, pensions, and interfund transfers.

Key FY22 Highlights:

Education

- Fully funds the implementation of the landmark Student Opportunity Act
- \$219.6 million in new Chapter 70 funding, for a total Chapter 70 investment of \$5.503 billion
- Complements substantial federal resources including \$2.9 billion in Elementary and Secondary School Emergency Relief (ESSER) funding and \$3.4 billion in ARPA direct aid for local governments throughout Massachusetts

Economic Development

- \$7 million for the Small Business Technical Assistance Grant Program for entrepreneurs and small businesses, especially those owned by women, immigrants, veterans, and people of color
- \$6 million for regional economic development grants

Labor and Workforce Development

- \$17.9 million in total funding to continue transforming vocational high schools into Career Technical Institutes running three shifts per day

Promoting Equality and Opportunity

- Over \$35 million to support the recommendations of the Black Advisory Commission (BAC) and the Latino Advisory Commission (LAC) across a range of initiatives and programs including YouthWorks Summer Jobs, early college, teacher diversity, small business development and workforce training

Supporting Local Government

- Increases the Unrestricted General Government Aid (UGGA) investment by \$39.5 million compared to the FY21 budget
- \$3.6 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

Sexual Assault and Domestic Violence

- \$103.8 million to address this key priority, a 61% increase from FY15

Substance Misuse

- Support \$408 million in FY22 across a variety of state agencies
- \$72.8 million (22%) increase above the FY21 budget

Health and Human Services

- \$26.5 million for the Executive Office of Health and Human Services (EOHHS)
- \$79 million for Chapter 257 human service provider funding under the new rate methodology that better reflects the cost of benchmarking direct care and clinical staff wages

Caring for Seniors

- \$628.1 million for the Executive Office of Elder Affairs
- \$18.2 million in support of grants to Local Councils on Aging
- Increase of \$16.3 million above the FY21 budget for the Community Choices Program

MassHealth

- \$19.0 billion gross, \$7.0 billion net funding for MassHealth, a change of 5% gross, 3% net versus FY21 spending

- Maintains existing benefits while addressing the expected changes resulting from the abatement of the COVID-19 public health emergency
- \$84 million to improve the access and availability of the front door and ambulatory behavioral health services to address current access challenges to treatment which have been further exacerbated by the pandemic

Transportation

- \$1.36 billion in total operating budget transfers for the MBTA
- \$403 million for the Massachusetts Department of Transportation (MassDOT)
- \$11 million for the Merit Rating Board, an increase of \$300,000 over FY21

We appreciate the work of the Legislature in delivering the FY22 conference report, including reasonable funding levels for accounts that have historically required supplemental appropriations. Vetoes are limited to concerns I have with specific line items.

Accordingly, we are vetoing \$7.9 million in line-item and outside-section spending. Of the 149 outside sections presented in the conference report, we are signing 122, vetoing 2, and returning 25 for amendment.

Therefore:

- We are reducing appropriation amounts in items of section 2 of House 4002 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 4002 also set forth in Attachment A, for the reasons set forth in that attachment;
- We are disapproving those sections of House 4002 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 6, 7, 8, 12, 18, 23, 30, 32, 33, 34, 39, 42, 47, 67, 74, 102, 103, 113, 116, 117, 119, 128, 129, 135 and 145 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 C to R, inclusive.

Respectfully Submitted,

Charles D. Baker
Governor

Karyn E. Polito
Lieutenant Governor