

Massachusetts Gov. Baker's administration files \$1.6 Billion fiscal year 2021 supplemental budget

Legislation relies on \$5 billion surplus; includes \$1 billion for unemployment relief and proposal to support local nonprofits.

BOSTON – The Baker-Polito Administration today filed a final Fiscal Year 2021 (FY21) supplemental budget proposal that aims to improve Massachusetts' economic competitiveness as the Commonwealth continues to recover from the COVID-19 pandemic. The \$1.568 billion supplemental budget would provide \$1 billion in unemployment insurance relief for employers, support greater resources for local charities and nonprofits and ensure that small businesses do not bear a tax burden for assistance received through pandemic relief programs. The legislation relies on a FY21 surplus of approximately \$5 billion and would also make critical investments in housing, human services, and education.

"Thanks to careful management of the Commonwealth's tax revenues and strong economic activity, Massachusetts has an unprecedented surplus at the close of Fiscal Year 2021, and this legislation ensures those resources are put to work to support local economies and small businesses," said Governor Charlie Baker. "Our proposal to provide employers with unemployment insurance relief is fiscally responsible and would provide much-needed support for businesses and workers across the Commonwealth. By combining this bill with our \$2.9 billion plan to spend a portion of Massachusetts' federal funds on urgent priorities like homeownership, environmental infrastructure and job-training, the Commonwealth has an

opportunity to leverage significant resources to promote further economic growth and support our hardest-hit communities.”

“This legislation provides an opportunity to reduce significant burdens on our employers, enabling them to hire and retain workers in communities across the Commonwealth,” said Lt. Governor Karyn Polito. “Thanks to strong economic activity by consumers and businesses, Massachusetts has a unique opportunity to leverage these surplus funds to further strengthen the economy and support our communities. We look forward to working with our partners in the Legislature to make these critical investments.”

The Administration’s supplemental budget proposes dedicating \$1 billion of Massachusetts’ FY21 surplus toward the Unemployment Insurance Trust Fund. This affordable proposal would help stabilize the UI Trust Fund and lessen employers’ future UI obligations. The legislation also includes language to make the federal Paycheck Protection Program (PPP) loans, Economic Injury Disaster Loan (EIDL) advances, Shuttered Venue Operators grants, Restaurant Revitalization Fund grants, and state MGCC grants nontaxable for all Massachusetts recipients, consistent with federal tax treatment.

The bill also proposes to finally implement the income tax charitable deduction, a measure that was first approved by voters nearly twenty years ago. Given the Commonwealth’s strong fiscal situation, the proposal is fiscally responsible and would support greater resources for the local charities and non-profits who supported vulnerable populations through the pandemic.

“The strong working relationship we enjoy with our colleagues in the House and Senate allowed us all to approach an uncommon fiscal year thoughtfully and deliberatively,” said Administration and Finance Secretary Michael J. Heffernan. “We are fortunate to end FY21 with an impressive surplus buoyed by

rare federal activity. The Commonwealth must seize this opportunity to implement sensible fiscal policies like finally implementing a tax deduction to boost charity organizations that was approved by voters two decades ago, a measure that is affordable and should be done now.”

At the close of FY21, the Commonwealth’s Stabilization Fund now stands at a balance of \$4.63 billion – the highest level ever by more than a billion dollars. The \$5 billion surplus included more than \$1 billion in excess capital gains deposited into the Stabilization Fund; another \$1.1 billion of the surplus made a planned withdrawal from the Stabilization Fund no longer necessary.

In addition to the \$1 billion UI transfer proposal, the legislation also proposes additional investments necessary to continue operating state government and invest in key priorities, including:

- \$405 million for a collective bargaining reserve to fund the retroactive and fiscal year 2022 (FY22) costs of agreements that are either in place or anticipated but not yet signed, thus mitigating pressure on the FY22 budget;
- \$39 million to support rate increases for the human service workforce;
- \$20 million to support the workforce in Chapter 766-approved special education schools;
- \$17 million to support an additional 800 temporary individual shelter beds throughout FY22 and pay for a one-time six-month 10% increase in provider rates, ensuring the Commonwealth’s individual shelter system has the resources necessary to protect vulnerable populations;
- \$5 million to pilot an evidence-based permanent supportive housing model for individuals experiencing homelessness, creating fast and sustainable pathways out of homelessness and;
- \$3 million in supplemental campus support for Quinsigamond Community College and Worcester State University as it absorbs

nursing students displaced by the closure of Becker College.

The legislation also includes several other policy proposals including:

- Allow survivors of servicemembers who die in training incidents to be eligible for a Medal of Liberty;
- Grant MassHealth the authority to directly negotiate rebate agreements for certain medical supplies and other non-drug products;
- Extend the municipal vulnerability preparedness grant program to tribes and other regional and local entities who are not municipalities; and,
- Allow civil service evaluations to be in an electronic format and provide greater flexibility in administering civil service evaluations.