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**CHARLES D. BAKER**  
GOVERNOR

**KARYN E. POLITO**  
LIEUTENANT GOVERNOR

January 22, 2020

To the Honorable Senate and House of Representatives,

We are pleased to submit our Fiscal Year 2021 (FY21) House 2 budget recommendation, our sixth proposal of the Baker-Polito Administration. This fiscally-disciplined submission continues to build on our partnership with the Legislature and our collaborative efforts to ensure spending is consistent with recurring tax revenue. Steady economic growth and fiscal responsibility have allowed critical investments in key areas – including support for local municipalities, education, transportation, health care, housing, substance misuse treatment and prevention, behavioral health, and the environment.

The Administration recommends \$44.6 billion in gross spending, an increase of 2.3% over Fiscal Year 2020 projected spending, excluding transfers to the Medical Assistance Trust Fund.

This budget fully funds the first year of the Student Opportunity Act, adding a total of \$355 million in new spending for initiatives laid out in this comprehensive education legislation. This includes \$303.5 million in funding in Chapter 70 education aid to local cities and towns for a total investment of \$5.480 billion. House 2 supports \$23.2 million for additional charter school tuition reimbursement, \$17.3 million in additional support for special education circuit breaker reimbursement for cities and towns, and \$10 million for the new Twenty-First Century Education Trust fund which will supplement \$12.6 million for Targeted Assistance to close achievement gaps in low-performing schools.

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

House 2 deepens investments the Administration has made in transportation agencies across the Commonwealth including the Massachusetts Department of Transportation (MassDOT), the Massachusetts Bay Transportation Authority (MBTA), and Regional Transit Authorities (RTAs). House 2 provides \$216.7 million more in funding for these transportation entities compared to the FY20 budget to help ensure they can continue to deliver modern, safe, reliable, and effective transportation options.

Consistent with immediate past budgets and our efforts to support our municipal partners, House 2 recommends a 2.8% increase in unrestricted local aid – equal to the consensus revenue tax growth for FY21. This increase will provide cities and towns throughout Massachusetts with a total investment of \$1.160 billion in unrestricted general government aid. House 2 supports \$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. These programs continue to support all 351 cities and towns with access to grant funding and resources to deliver quality services to their residents.

House 2 includes a \$310 million increase to the Stabilization Fund, which currently has an all-time high balance of \$3.46 billion, representing more than 10% of the amount of tax revenue collected in Fiscal Year 2019. We are proud of our partnership with the Legislature to increase the balance of the Stabilization Fund threefold since 2015, and this significant achievement will provide a substantial buffer for essential services in the event of a future economic downturn.

To continue combatting the opioid epidemic, the FY21 budget recommends \$328.3 million in funding across numerous agencies to support prevention, intervention, treatment, and recovery efforts to reduce substance misuse and to promote recovery.

Lastly, this budget proposal incorporates the Part B individual income tax rate's decreasing from 5.05% to 5% effective January 1, 2020.

We are pleased with the collaborative relationship we have with the House and Senate as we recommend fiscally-disciplined budgets that fund critical priorities and programs throughout the Commonwealth. We look forward to working closely with you on this budget proposal.

Sincerely,



Charles D. Baker  
Governor



Karyn Polito  
Lieutenant Governor

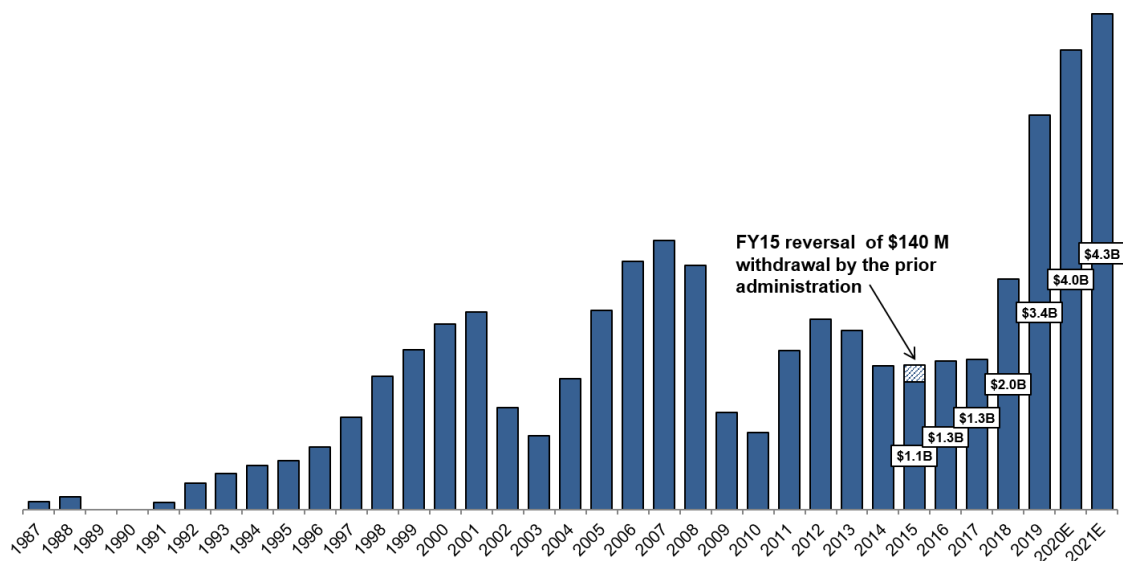
## Fiscal Overview

This Fiscal Year 2021 (FY21) budget proposal, filed as House 2, continues the Baker-Polito Administration's commitment to supporting growth in cities and towns across Massachusetts through fiscally responsible investments while ensuring spending is consistent with recurring revenue and a healthy Stabilization Fund. House 2 is in line with the Administration's approach of fiscally disciplined and reliable governance – and it maintains structural balance with tax revenue growth continuing to exceed spending growth.

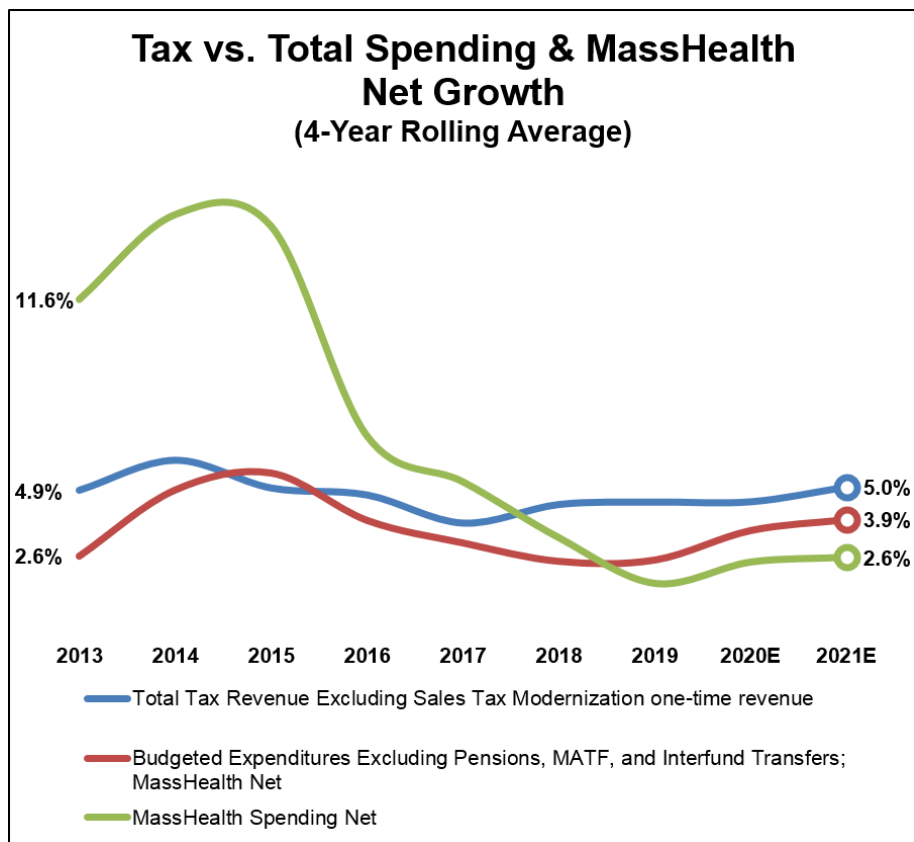
The budget continues the progress the Administration has made over the past five years and continues investments and initiatives in key areas – including local aid, health care, education, transportation, housing, workforce development, the environment, the opioid epidemic, and behavioral health.

House 2 includes a \$310 million increase to the Stabilization Fund, which currently has an all-time high balance of \$3.46 billion, representing more than 10% of the amount of tax revenue collected in Fiscal Year 2019 (Chart 1). The Administration has worked closely with the Legislature to increase the balance of the Stabilization Fund threefold since 2015. This is a significant achievement made possible by responsible fiscal stewardship and Massachusetts' strong economy, and it will provide a substantial buffer for essential government services in the event of a future recession which may cause tax revenue to fall sharply.

### Stabilization Fund Balance, FY87-21



House 2 recommends a total of \$44.6 billion in gross spending, excluding the Medical Assistance Trust Fund transfer, approximately 2.3% growth over Fiscal Year 2020 (FY20). The budget proposal is in balance, with the below chart highlighting how the Administration, working with the Legislature, has eliminated the previous structural imbalance and maintained sustainable spending growth rates that are lower than tax revenue growth (Chart 2). This is due in large part to more responsible growth rates at MassHealth.



This budget is based on the \$31.151 billion consensus tax revenue estimate which anticipates a 2.8% growth in total tax collections over revised FY20 tax estimates.

House 2 recommends an increase of \$274 million over FY20 to fund the Commonwealth's pension funding obligation, for a total investment of \$3.115 billion. The final amortization payment towards the pension funding obligation will be made in Fiscal Year 2036, four years earlier than the statutory requirement.

This budget proposal incorporates the Part B individual income tax rate's decreasing from 5.05% to 5% effective January 1, 2020. Based on actual and projected collections, personal income tax bills have cumulatively been reduced by a total of approximately \$2.7 billion since January 1, 2015. This means more money in the pockets of Massachusetts workers – a middle income family of four is now paying an estimated \$156 less in individual income taxes this year due to all of the rate cuts.

House 2 directs the Department of Revenue (DOR) to study the impact of the introduction of the state charitable deduction, which will go into effect January 1, 2021 based on current state statute.

The FY21 budget assumes \$35 million in revenue in FY21 as a result of pending legislation filed in January 2019 by the Baker-Polito Administration that would permit people in Massachusetts to wager on professional sports.

Consistent with the Massachusetts Department of Transportation's recent report on roadway congestion, House 2 proposes an 80 cent increase to the per-trip assessment for Transportation Network Company (TNC) rides from 20 cents to one dollar. The revenue from this proposal would be split, with 60 cents of the increase allocated to the Commonwealth Transportation Fund (CTF) for investments in MBTA safety, reliability, and infrastructure, and 20 cents of the increase distributed to municipalities based on the number of rides that originated in that city or town. This will triple the amount of TNC-related funding distributed to local cities and towns. The state portion supports a \$73

million increase in CTF funds made available to the MBTA, in part to implement recommendations of the MBTA Safety Review Panel.

In order to improve collections of the sales tax, House 2 recommends changes to update the current collection and remittance procedure. The proposal modernizes and optimizes a process that has not been significantly updated in decades, and takes advantage of improvements in technologies and capabilities that are widely used by retailers in financial institutions throughout the Commonwealth.

Consumers currently pay the sales tax when they make a purchase, and those funds are then held by retail vendors for as many as 50 days because, under current law, retailers are not required to remit the sales tax to the Commonwealth until the 20<sup>th</sup> day of the following month. This antiquated process was established decades ago during the time of manual cash registers, handwritten checks, and mechanical adding machines.

Phase one of this modernization effort requires businesses that have collected and remitted more than \$100,000 in sales tax or \$100,000 in room occupancy and meals tax in the prior year to remit collections from the first three weeks of each month in the final week of the same month. During this three-year phase, remittance for the final week, and reconciliation of the monthly filing, will continue to occur in the following month.

Phase two will require all retailers and credit card processors to capture sales tax at the moment of purchase beginning in 2023, so as to remit sales tax on credit card and other electronic transactions on a daily basis. Retailers already currently file and remit collections electronically, and this new requirement will further modernize and enhance collections.

Another component of the sales tax improvement effort involves establishing civil penalties related to the sale and installation of automated sales suppression devices or “zappers.” These software programs falsify electronic records for purposes of tax evasion.

Accurate and efficient collection of sales tax revenue is crucial to ensuring the Commonwealth has the necessary resources for investing in critical priorities and programs. Modernizing the sales tax will ensure valid collections, and streamline and optimize processes using readily available retail and financial technology, while not imposing a burden on small businesses and consumers. Preventing tax fraud not only improves revenue but also ensures that the vast majority of responsible and honest business owners are not put at a disadvantage.

The FY21 budget accounts for legislation signed by Governor Baker placing new restrictions on vaping and tobacco products including limiting the sale of flavored tobacco and nicotine vaping products to licensed smoking bars where they may only be smoked on-site, and imposing a 75% excise tax on the legal sale of vaping products. This public health legislation is expected to reduce sales and subsequent related tax revenue by approximately \$95 million. House 2 also proposes expanding the mandate of Illegal Tobacco Task Force to include vaping.

In recognition of the 30<sup>th</sup> Anniversary of the landmark Americans with Disabilities Act, the Baker-Polito Administration recommends the creation of a new Disability Employment Tax Credit to support businesses that hire individuals with disabilities. This credit would be \$2,000 per employee who works a minimum of 18 consecutive months, furthering the Administration’s commitment to improve employment opportunities and economic security for individuals with disabilities.

## **Budget Highlights**

### **Education**

The Baker-Polito Administration is continuing to deliver on its pledge to provide all students in the Commonwealth with the educational opportunities and resources they need to learn and succeed. House 2 fully funds the first year of the Student Opportunity Act, adding a total of \$355 million in new spending for initiatives laid out in this legislation.

The new law codified changes to the school funding formula in statute and will increase Foundation Budget rates for low-income students, while also making adjustments to the costs of health benefits, special education and other programs, across a seven-year timeframe starting in FY21. The legislation also commits the Commonwealth to fully reimbursing out-of-district transportation costs for special education students over four years, and fully funding charter school reimbursements to sending districts over three years.

This funding will be accompanied by implementing proven strategies for student success in schools and districts across Massachusetts. The Student Opportunity Act requires school districts to develop three-year plans to close achievement gaps using evidence-based programs and supports, such as expanded learning time, increased counseling and psychological services, professional development, expanded early learning and pre-kindergarten, early college and career readiness pathways, and a more diverse teacher workforce. The Commissioner of Elementary and Secondary Education will establish statewide targets for addressing persistent achievement gaps among student groups, and will review each district's plan to ensure it sets measurable goals for student improvement, with credible strategies for achieving them.

Investments related to the Student Opportunity Act include \$303.5 million in additional funding in Chapter 70 education aid to cities and towns, for a total investment of \$5.480 billion – an increase of nearly \$1.1 billion (25%) in annual Chapter 70 aid since FY15. All operating school districts in the Commonwealth will receive additional funds through the FY21 chapter 70 increase, with low-income districts receiving the largest share of this increased investment.

Other spending related to the Student Opportunity Act includes:

- \$23.2 million in new funding for charter school tuition reimbursement, for a total investment of \$138.2 million
- \$17.3 million in additional support for special education circuit breaker reimbursement for cities and towns
- \$12.6 million for Targeted Assistance to expand existing commitments to close achievement gaps in low-performing schools
- \$10 million for the new Twenty-First Century Education Trust fund, established under the Student Opportunity Act, and based on a model included in the Governor's FY20 House 1 budget
- \$1 million for data analysis and investments to support strategic data sharing and data use in future decision making regarding public education

### **Early Education**

House 2 continues the Baker-Polito Administration's unprecedented investment in state-subsidized early childhood education with a \$55.1 million (8%) increase in funding above FY20 spending for the Department of Early Education and Care (EEC), for a total investment of \$761.9 million. Since FY15, EEC funding has increased by over \$230 million (44%), helping to support the healthy growth and development of all children by providing high-quality programs and resources for families and communities.



The investment provides an additional \$20.4 million to fund an increase of 150 Department of Children and Families (DCF) child care vouchers per month in FY21, as well as a \$19.3 million increase in Department of Transitional Assistance (DTA) child care vouchers. Additionally, House 2 continues support for income eligible childcare – the waitlist for this service has decreased by approximately 40% since January 2015.

The Administration continues to increase the rates paid to early education and childcare providers in Massachusetts and is proposing another \$10 million rate increase to support teacher salaries, benefits, and other fixed costs. An additional \$10 million is budgeted to support future revisions to the sliding parent fee schedule and enable reductions in parent contributions. By FY21, the Administration, in partnership with the Legislature, will have increased rates by approximately \$150 million since FY15 as part of a long-term plan to improve teacher retention and hiring, and ensure high-quality education and care programs.

### ***Higher Education***

The FY21 budget deepens support for college readiness, affordability, and degree completion through a \$1.316 billion total investment for the Department of Higher Education, University of Massachusetts, and state universities and community colleges, representing a \$33.2 million (3%) increase over the FY20 budget.

House 2 proposes \$5 million for a new needs-based scholarship program for federal Pell Grant eligible students who participate in proven college success programs at public universities. These funds will help to fully cover unmet tuition and fee costs, and help ensure low-income students have the resources and support needed to complete their college degree on time. This new financial aid program complements the on-going \$7 million MassGrant Plus program which began in FY19 and fully covers any unmet need for low-income community college students. Over 7,000 students utilized the MassGrant Plus program in 2019.

The investment includes a \$1.3 million 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 DCF, or who have been adopted through DCF. This program supports over 1,400 students across private and public campuses.

House 2 also recommends investments designed to support high school students pursuing early college and innovation pathway programs, including an increase of \$2.3 million above the FY20 budget to provide an additional 1,600 high school students access to college and career success through full reimbursement of eligible college course credits before high school graduation.

### **Transportation**

The FY21 budget significantly furthers the investments the Baker-Polito Administration has made in transportation agencies including the Massachusetts Department of Transportation (MassDOT), the Massachusetts Bay Transportation Authority (MBTA), and Regional Transit Authorities (RTAs). House 2 increases the total investment in these transportation entities by \$216.7 million above the FY20 budget in order to deliver modern, safe, reliable, and effective transportation options.

**MBTA**

The budget includes an increase of \$134.8 million in new support for the MBTA in addition to the \$32 million included in the recently approved FY19 closeout budget. The Administration has also requested an additional \$18 million in a supplemental budget for FY20. This new spending in House 2 is supported by the estimated sales tax transfer as well as an increase in the T's additional operating assistance from \$127 million to \$200 million. The latter is funded by the proposed increase in the per-trip assessment for TNC rides. The sales tax transfer includes a one-time transfer of \$40 million, which would be realized through the proposal to accelerate collections of the sales tax.

The additional resources provide necessary funding to implement all the recommendations of the Safety Review Panel and build upon efforts already underway to hire additional staff and contractors, expedite the completion of critical capital projects, enable proactive inspections to detect and address safety and reliability issues before they impact service, and implement enhanced maintenance procedures.

House 2 establishes a new, permanent governance structure for the MBTA to replace the MBTA Fiscal and Management Control Board (FMCB), which sunsets per current statute on June 30, 2020. The FMCB was created following the winter of 2015 in order monitor the agency's finances, management, and operations, and improve the safety and reliability of the system, and has done its job well. But as the FMCB has recognized and recommended, the time has come for the MBTA to have a permanent governance structure independent of the MassDOT board.

The proposal creates a seven-member board including the Secretary of Transportation, a representative from the communities who contribute revenue to the MBTA via assessments (selected by the MBTA Advisory Board), a safety expert, and various subject matter experts appointed by and accountable to the Governor. House 2 also proposes better aligning the timing of the MBTA's budgeting process with the Commonwealth's budget process to improve coordination between revenue and spending.

The budget includes language to give the MBTA the needed flexibility to ensure sufficient staffing to safely enable both preventive maintenance and capital acceleration and proposes changes to current restrictions to allow the MBTA to maximize available dollars in a way that is consistent with government accounting standards and federal reporting requirements.

Thanks to effective and expeditious planning, the T is now investing more capital than ever before on improvements and upgrades. Historically, the T failed to spend half of the funding available for infrastructure projects, and then achieved \$1 billion in capital spending for the first time in FY19. For the five years prior to 2016, the T spent less than \$3 billion total on not only fixing the system, but also on expansion projects. The latest five-year capital spending plan calls for the T to spend \$8.2 billion for FY20-24.

The MBTA's ability to deliver on investments that will both repair and modernize the system depends on three things: sufficient capital, sufficient personnel and new tools for procurement and project delivery. In June 2019, the Administration filed a Transportation Bond Bill that would support \$18 billion in capital authorizations for ongoing and future transportation projects for roads, bridges, municipal assets, and the MBTA and RTAs. The bill provides both the MBTA and MassDOT with needed procurement and project delivery tools and its passage this winter would allow those tools to be put to work in 2020. The bond bill would also authorize bonding against the proceeds from a transportation "cap and invest" program, the Transportation and Climate Initiative, which would utilize a market-based policy to reduce carbon emissions and reinvest proceeds in cleaner transportation options such as public transit and infrastructure to support zero emission vehicles and fleets.

## **MassDOT**

The FY21 budget proposes a total investment of \$423.5 million in MassDOT, an increase of \$77.6 million over the FY20 budget including a \$40 million increase in snow and ice operations.

House 2 recommends an increase of \$8.6 million for RMV-related initiatives. This increased investment will support additional employees focusing on safety and improving operations. House 2 also proposes an increase of \$800,000 to the Merit Rating Board which will enable to board to fund new employees, enact reforms, and improve business practices.

House 2 includes an outside section transferring responsibilities of certain roadways owned by the Department of Conservation and Recreation to the Department of Transportation in order to optimize the maintenance and operation of these facilities. These roadways are Morrissey Boulevard, Storrow Drive, Soldiers Field Road, and Day Boulevard.

As directed by Governor Baker, MassDOT in 2019 released a comprehensive report describing the occurrence, severity, and causes of vehicular congestion in Massachusetts. The funding levels included in House 2 will support key recommendations in the congestion report, including addressing transportation operations and congestion, advancing studies on managed lanes and other congestion-relief mechanisms and supporting grant funding to municipalities and employers who work to provide better commute options.

The FY21 budget recommends \$90.5 million in base funding for RTAs, consistent with the recommendations of the RTA Task Force. The recommendation also includes \$3.5 million in innovation grants for RTAs that best demonstrate a commitment to service quality, and environmental sustainability, for a total of \$94 million in funding for RTAs, a \$3.5 million (4%) increase above FY20.

## **Access to Employment**

Massachusetts continues to benefit from a strong economy and consistent job growth. The Commonwealth has the lowest unemployment rate in nearly two decades at 2.9% and nearly 50,000 jobs were added in 2019. House 2 continues the Baker-Polito Administration's focus on ensuring that workers, employers, and the unemployed have the resources and training needed to ensure continued growth in the economy.

To address the projected short and long-term worker shortage and a skills gap for technical jobs, the FY21 budget recommends investing a total of \$8.4 million in funding to transform vocational high schools into Career Technical Institutes running three shifts per day. This initiative is designed to train 20,000 new workers over four years 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 plan to develop Career Technical Institutes utilizes a multi-pronged approach to increase student demand, boost business involvement in program development and credentials, reduce licensure barriers to enable mid-career professionals to become vocational teachers, and create incentives for completion and post-graduate employment through a pay-for-performance funding model.

The FY21 budget recommends the creation of a reentry pilot program to ensure individuals exiting correctional facilities have necessary job-search skills as they reenter their home communities. This \$250,000 investment will consist of a partnership between EOLWD and the Executive Office of Public Safety and Security, and will include several pilot sites between MassHire Career Centers and Department of Correction facilities. Individuals will be assisted with career counseling, wraparound supports, industry-based certifications, job search, and peer cohort support.

## **Black Advisory Commission and Latino Advisory Commission**

In order to promote equity and ensure the Commonwealth benefits from diverse communities, Governor Baker created two commissions to identify the needs of Black and Latino residents of Massachusetts, including workforce skills, housing, education, career development, and other programs that help create opportunities and skills.

Funding in House 2 to continue incorporating the recommendations of the Black Advisory Commission (BAC) and the Latino Advisory Commission (LAC) includes:

- \$5.9 million for Adult Basic Education (ABE) to continue to provide integrated workforce development training programs for adult learners, including English for speakers of other languages
- \$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 to expand applied learning through student internships, evidence-based curriculum and professional development, establish STEM teacher externships, and grow early career Innovation Pathways in order to help increase participation in STEM by under-represented student groups
- \$1.5 million to fund high-demand scholarships for high-needs students attending public higher education institutions or career technical institutes, for training for in-demand professions
- \$750,000 to expand the “Learn to Earn” initiative, a career pathway model that connects unemployed or underemployed individuals receiving public assistance to high-demand career pathways

House 2 investments which help implement BAC and LAC recommendations also support early college, teacher diversity, small business development, financial literacy, job placement programming, and workforce training.

## **Municipal Partners**

The Baker-Polito Administration has worked closely with local cities and towns to achieve the shared goals of promoting growth and development and meeting the needs of all residents. The Community Compact Cabinet, which is chaired by Lieutenant Governor Polito and was created through an executive order by Governor Baker in 2015, provides municipalities with meaningful assistance and resources in delivering quality services to the Commonwealth's citizens.

All 351 cities and towns throughout Massachusetts have since signed Community Compact agreements and adopted reforms and best practices that allow them to gain access to grants that fund local initiatives. The Administration has awarded \$27.6 million to municipalities through the Community Compact program since 2016, representing a combination of operating and capital grants, and enabling cities and towns to improve both their infrastructure and operations.

In October 2019, the Administration announced the launch of the Community Compact Connector which further improves access for municipalities to state resources and grant opportunities. This innovative new tool provides a streamlined interface for cities and towns to interact with state government when seeking partnership and grant funding opportunities and is equipped with pages offering services such as a municipal grant finder, technical assistance finder and a grants calendar.

The Community Compact Program is an example of the valuable partnership between the state and municipalities who depend upon the Administration and Legislature to assist with necessary resources that help ensure the delivery of local programs and services. The FY21 budget recommends \$4 million

in funding for Community Compact related programs including best practices and regionalization and efficiency grants. Additionally, the budget 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 House 2 recommendation includes another increase in unrestricted general government aid (UGGA). This increase is equal to the 2.8% projected growth rate for state tax revenue and provides an additional \$31.6 million to cities and towns throughout the Commonwealth, for a total UGGA investment of \$1.160 billion. Under the Baker-Polito Administration, total annual UGGA has increased by \$214.5 million (23%).

## **Health and Human Services**

Over the past five years, the Baker-Polito Administration has made major investments and reforms in health and human services programs to help ensure the health, resilience, and independence of residents throughout the Commonwealth.

The Administration continues to pursue initiatives that improve outcomes for patients, increase access to care, and bring down costs. Last October, the Administration filed comprehensive health care legislation to improve behavioral health and primary care access and eliminate hidden consumer costs. The legislation will also hold drug companies accountable for unjustified price increases and support distressed community hospitals and community health centers.

House 2 recommends funding the Executive Office of Health and Human Services (EOHHS) at \$23.824 billion, excluding supplemental payments to hospitals, a \$335.4 million (1%) increase over FY20 spending. This includes \$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. These significant rate increases reflect the Administration's ongoing commitment to supporting and strengthening human service programs so they can deliver meaningful service to citizens throughout Massachusetts.

## ***Children and Families***

Since 2015, the Baker-Polito Administration has increased funding for the Department of Children and Families (DCF) by over \$200 million and has introduced groundbreaking reforms to improve the protection of the Commonwealth's most vulnerable children. House 2 proposes a \$27.1 million increase above the FY20 budget for DCF, to a total of \$1.085 billion, maintaining the Administration's commitment to DCF front line social workers and to the children and families DCF supports. The budget includes:

- \$9 million to support progress toward a caseload level of 15:1
- \$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
- \$6 million to support growth in the rate of adoptions and guardianships which provide permanent family connections for children in DCF's care and custody
- \$1.8 million for foster care rate increases for foster parents
- Funding of Chapter 766 rate increases for children in privately-run special education schools

House 2 provides \$2.1 million for the Office of the Child Advocate and supports new staff to help evaluate policies and maintain data on how youth enter and flow through the juvenile justice system, and furthers the effort to partner with over 80 school districts to facilitate training and placing law enforcement personnel in educational and community settings to help foster positive relationships and outcomes for students.

House 2 recommends \$10 million in funding for the Safe and Successful Youth Initiative, which operates in cities with the highest incidences of youth crime and has a record of positive impact on crime and victimization rates.

***Substance Misuse Prevention and Treatment***

The Baker-Polito Administration has made significant investments to combat the opioid epidemic and is proposing \$328.3 million in funding in House 2 to support prevention, intervention, treatment, and recovery efforts to reduce substance misuse and to promote recovery, a \$47.5 million or 17% increase above FY20 spending. The Administration has increased funding for prevention, intervention, treatment, and recovery supports by \$209 million since FY15, an increase of 175%.

In order to help address factors that contribute to substance abuse, the Administration is continuing to improve treatment options, focusing specifically on individuals with a co-occurring mental health and substance use disorder. 218 new residential treatment beds for individuals with co-occurring conditions were added in FY20 and 80 new treatment beds are expected to be added in FY21.

Working with the Legislature, the Administration is building upon major legislative reforms that address the opioid epidemic. The comprehensive health care legislation filed by the Administration last October includes a 15% gross receipts tax on the revenues of opioid manufacturers and distributors from the sales of their opioid products in Massachusetts.

Although opioid-related deaths continue to decline overall, work remains to be done to address this critical public health issue. In the first nine months of 2019, there was a 6% decrease in opioid-related deaths, but fentanyl was present in 93% of opioid-related overdose deaths in the first six months of 2019. This troubling trend highlights the importance of the Commonwealth's commitment to implementing innovative harm reduction strategies.

The \$328.3 million total spending in House 2 includes:

- \$169.1 million in funding at the Department of Public Health, including \$158 million for substance use disorder treatment services
- \$74.8 million to expand MassHealth treatment services for individuals with addiction, including services for individuals with co-occurring mental health disorders, made available through a federal 1115 waiver
- \$26.1 million in funding to fulfill the requirements of the CARE Act within correctional facilities, including the provision of medication-assisted treatment
- \$20.5 million for costs at the Massachusetts Alcohol and Substance Abuse Center (MASAC) in Plymouth to improve the level of care provided to men who are civilly committed under Section 35
- \$19.6 million to fully fund 45 Section 35 treatment beds for women and support operation of 80 new treatment beds for men who are civilly committed under Section 35
- \$2 million for the State Police Division of Homeland Security & Preparedness which conducts high-level opioid interdiction

### ***Supporting Individuals with Disabilities***

In recognition of the 30<sup>th</sup> Anniversary of the landmark Americans with Disabilities Act, the Baker-Polito Administration recommends the creation of a new Disability Employment Tax Credit to support businesses that hire individuals with disabilities. This credit would be \$2,000 per employee who works a minimum of 18 consecutive months, and would be available starting in tax year 2022, furthering the Administration's commitment to improve employment opportunities and economic security for individuals with disabilities.

For the fourth consecutive year, the budget proposal fully funds the Turning 22 Program at the Department of Developmental Services (DDS) and other agencies, supporting a class of over 1,300 young adults and making good on the Administration's commitment to fully support a program that was underfunded for nearly three decades.

House 2 includes \$2.147 billion for DDS, an increase of \$41.3 million (2%) over FY20 spending. DDS supports more than 41,000 clients annually including over 10,000 individuals in full-time residential settings. House 2 supports the DDS *Technology Forward* agenda by promoting innovative services and supports that will decrease reliance on 24/7 group home care. This includes \$500,000 in dedicated funding to scale supportive technology approaches using assistive technology and remote supports that can both strengthen independence and community integration, as well as ensure appropriate support at home. House 2 continues support for DDS's FY20 efforts to leverage technology. For example, it supports providing laptops and smart phones to all 600 DDS Service Coordinators to increase the mobility and accessibility of DDS workers to better serve their clients. In FY21, DDS will expand these technology-driven efforts to better meet the needs of its service population, including individuals with Autism Spectrum Disorder.

The FY21 budget proposes a \$530,000 increase to the Massachusetts Commission for the Deaf and Hard of Hearing (MCDHH) to expand access to American Sign Language (ASL) interpreters. MCDHH will work with higher education institutions that offer ASL to increase the interpreter workforce and develop a Communication Access Realtime Translation (CART) training and mentorship program. MCDHH is funded at a total of \$6.9 million in House 2, a \$622,353 (10%) increase over FY20 spending.

### ***Addressing the Vaping Epidemic***

House 2 furthers the Baker-Polito Administration's efforts to address the health crisis associated with e-cigarettes and vaping. Last November, the Administration signed first-in-the-nation legislation placing new restrictions on vaping and tobacco products, including limiting the sale and use of flavored nicotine vaping products to licensed smoking bars. The legislation also granted the Department of Public Health (DPH) authority to regulate the sale of nicotine vaping products, to ensure the public is informed about the potential dangers of vaping and to implement other public health provisions. This legislation followed a temporary ban implemented by the Baker-Polito Administration on the sale of all vaping products in the Commonwealth.

House 2 proposes \$4 million in essential resources to support implementation of the new Tobacco Control Law, including funding for local boards of health to conduct inspections and retail surveillance. The budget proposal supports education and awareness efforts around the dangers of vaping and tobacco use and the training of school nurses to help young people quit vaping. House 2 also recommends expanding the mandate of the Illegal Tobacco Task Force to include vaping.

### ***Caring for Our Seniors***

The Baker-Polito Administration promotes the independence and well-being of older people and their families. In FY20, the Administration expanded the Medicare Savings Program, which assists with out-of-pocket health care spending and helps to reduce drug costs. An annual investment of \$10 million in state funding leverages more than \$100 million in federal Medicare prescription drug subsidies. This assistance helps low-income seniors pay for out-of-pocket federal Medicare Parts A and B premiums and cost-sharing. Participants automatically qualify for subsidies for Medicare Part D drug coverage, which is fully funded by the federal government. The first-time eligibility expansion of this program increased income limits from 100%-135% of the federal poverty level (depending on the program), to 130% - 165%, and doubled the asset limit. This initiative went into effect in January 2020 and is fully annualized in the FY21 budget.

House 2 proposes funding the Executive Office of Elder affairs at \$574.8 million, which builds on the Administration's commitment to supporting older adults in Massachusetts to remain active, contributing and engaged members of their communities. The FY21 budget recommends \$16.5 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 proposal 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.

### ***MassHealth***

Managing the sustainability and growth of the state's Medicaid (MassHealth) program remains a priority of the Baker-Polito Administration. The Administration inherited a program with consistent year-over-year, double-digit growth, and immediately turned its focus on controlling costs, and implementing creative reforms that would not sacrifice quality or reduce benefits. These reforms have resulted in significant decreases in cost growth while maintaining benefits for members and ensuring program integrity.

House 2 recommends \$16.772 billion gross, \$6.740 billion net funding for MassHealth, a growth of 0.6% gross (0.5% net) over FY20 spending. This growth rate incorporates the conclusion of the temporary, enhanced Employer Medical Assistance Contribution which was completed at the end of calendar year 2019, per statute. MassHealth assumes stable overall caseload growth of approximately 0.7% over FY20 with 0.0% growth for non-disabled adults.

### ***Behavioral Health***

The Baker-Polito Administration is improving access to behavioral health treatment which includes a working "front door" for individuals who need real-time access to treatment as needed, stronger integration of behavioral health treatment within primary care settings, and a functioning system of crisis and specialty outpatient behavioral health treatment. The Administration's comprehensive health care legislation filed in October prioritizes increased spending for behavioral health and primary care within the constraint of the Commonwealth's overall cost growth benchmark.

In FY21, MassHealth will invest more than \$60 million to annualize rate increases for payment of psychiatry in community health centers at parity with other services, Intensive/Community-Based Acute Treatment (I/CBAT) programs and fee-for-service inpatient psychiatric hospitals, annualize investments in the Emergency Services Program (ESP) to expand access to mobile and community-based treatment, invest in telehealth, and improve access to ambulatory behavioral health treatment.

House 2 funds the Department of Mental Health (DMH) at \$910.7 million, an \$8.7 million increase above the FY20 budget. House 2 includes funding to continue the department's efforts to transfer



continuing care patients who have been deemed clinically ready for discharge into community settings. House 2 also builds on the Administration's commitment to the clinically strengthened Adult Community Clinical Services (ACCS) program, with funding at \$91 million for providing treatment and support services to 10,100 DMH clients annually. The funding supports care coordination services through MassHealth's Behavioral Health Community Partners, employment services for more than 780 DMH clients through the Massachusetts Rehabilitation Commission (MRC), and \$3 million for housing supports for 290 DMH clients.

House 2 provides \$4.5 million to fund DMH's public safety partnerships to improve our first responders' ability to recognize signs of mental illness and to adopt strategies to de-escalate those crises, resulting in fewer arrests, better engagement in treatment, and increased public safety.

## **Criminal Justice and Public Safety**

The Executive Office of Public Safety and Security (EOPSS) is tasked with crime prevention, homeland security preparedness, and ensuring the safety of residents and visitors in the Commonwealth. With law enforcement and first responders facing increasingly complex challenges, new forms of crime, and advanced technologies, the Baker-Polito Administration has increased funding for EOPSS by \$293.2 million (29%) since taking office in 2015.

House 2 builds upon criminal justice reform legislation signed by Governor Baker in 2018 and includes \$757.8 million for the Department of Correction. This recommendation provides \$207.3 million for medical and mental health contract costs. Including the proposed FY21 investment, the total annual amount spent on services for inmates has doubled since January 2015. A Department of Correction class is expected to conclude in June 2020, followed by another class in FY21.

The proposal recommends \$413.1 million for State Police public safety and crime lab operations. The recommendation maintains support for the 85<sup>th</sup> RTT State Police class of 240 expected recruits which started in January 2020 and is the fourth and largest class since the start of the Administration. The budget assumes the 86<sup>th</sup> RTT class will graduate in FY21.

The Administration is recommending \$1 million for the Nonprofit Security Grant Program which provides support for security enhancements to nonprofit organizations, including faith-based organizations.

Additional public safety investments in House 2 include:

- \$664.9 million for the fourteen Sheriff's Departments in the Commonwealth
- \$62.9 million to continue funding for the clinical contract at Bridgewater State Hospital
- \$31.3 million to support the Department of Fire Services, including \$3.6 million for the newest facility in Bridgewater which offers recruit classes and specialized trainings
- \$21.9 million for the supervision of parolees leaving custody and re-entering local communities
- \$19 million for the Office of the Chief Medical Examiner
- \$11 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

## **Addressing Sexual Assault and Domestic Violence**

In April 2015, Governor Baker re-launched the Governor's Council to Address Sexual Assault and Domestic Violence and elevated the Council to the Governor's Office. Over the last five years, with Lieutenant Governor Polito as Chair, the Council has successfully worked to help individuals, children, and families of the Commonwealth live a life free of sexual assault and domestic violence. The Council has advanced several important initiatives such as undertaking a 2018 Action Plan to address five priority areas including assessment and response, human trafficking, military veterans and families, housing stability and self-sufficiency, as well as prevention and education.

The Administration is recommending \$83.9 million in House 2 to continue sexual assault and domestic violence prevention services, a \$3.6 million (4%) increase over the FY20 budget and nearly 30% increase from FY15.

The investment includes \$39.9 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. The budget includes \$6 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, and \$1 million will fund a grant program focusing on promoting healthy relationships and preventing dating violence among youth. This program is amplified by the highly-regarded RESPECTfully public awareness campaign.

House 2 proposes a total of \$1.6 million for the Department of Children and Families to meet the needs of families involved in domestic violence incidents, as well as the Sexual Abuse Intervention Network. This interagency partnership intervenes in and investigate cases of suspected sexual and serious physical abuse of children and provides services for victims and non-offending family members, with the goal of minimizing secondary trauma to child victims of sexual abuse.

The FY21 budget recommends that the Department of Housing and Community Development receives a total of \$32.4 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.

## **Modernizing and Securing Government IT**

The Baker-Polito Administration recognizes that the Commonwealth and its technology systems face increasingly complex cyber threats that seek to damage systems, obtain data, and disrupt operations for agencies and users. The Administration is continuing to recommend increased investments in technology infrastructure in order to ensure cyber security and provide secure and quality digital information, services, and tools. Bolstering investments in the Commonwealth's technology infrastructure and processes not only mitigates risks and vulnerabilities, but it also allows the state to better administer and deliver programs that benefit people across Massachusetts.

To help optimize the delivery of technology services and the protection of data, the Executive Office of Technology Services and Security (EOTSS) was elevated to a cabinet-level secretariat in 2017. Working closely with other executive agencies and departments, along with local municipalities, EOTSS has prioritized operating and capital improvements that enhance the Commonwealth's cybersecurity posture, modernize equipment and services for residents, visitors, and businesses, manage vulnerabilities to internal and external facing systems, and optimize business operations and data usage.

House 2 supports \$129.8 million in estimated spending in FY21 by EOTSS. This funding will continue support for the Commonwealth's technology needs and enable initiatives and investments such as:

- Deploying and utilizing new and secure devices across the Executive Branch
- Ensuring IT software and contract compliance
- Carrying out the Information Governance Program
- Securing IT infrastructure by accelerating the move to cloud computing
- Managing a new cybersecurity operations center which provides 24/7 monitoring capabilities of systems in order to identify and help mitigate potential risks
- Implementing a security incident event management platform for threat analytics and monitoring

## Economic Development

In collaboration with the Legislature, the Baker-Polito Administration has promoted economic development throughout Massachusetts and recently released *Partnerships for Growth: A plan to enable the Commonwealth's regions to build, connect and lead*. This plan builds on successful efforts to ensure local cities and towns have the resources and tools necessary to foster job growth and economic opportunity. Its four strategic pillars center on the need for the Commonwealth to support the production of more housing options for residents, foster vibrant communities, strengthen Massachusetts' economic competitiveness, and develop stronger career pathways for workers.

The Commonwealth has benefited from steady economic growth in recent years, and House 2 continues to support further development through investments that educate and train the Commonwealth's workforce, leverage public-private partnerships, better connect workers and businesses, and help unlock Massachusetts' full economic potential.

*Partnerships for Growth* calls for a more focused, coordinated, and targeted outreach to businesses of all sizes, and the FY21 budget proposes \$4 million for small business technical assistance, an increase of \$900,000 (29%) above FY20 spending. This investment will support grants to enable entrepreneurs and small businesses, especially those owned by women, immigrants, veterans, and people of color, to access capital, space, technical assistance, and other resources.

*Partnerships for Growth* aims to better align training providers with employer needs, with a particular focus on manufacturing, trades, technology, and life sciences. House 2 provides \$2.5 million for the advanced manufacturing training program, a critical program within the Workforce Skills Cabinet's suite of tools to connect businesses with unemployed and underemployed individuals including veterans. The proposal also supports \$2.5 million for the Urban Agenda Grant program to expand targeted workforce development and technical assistance programs with a special focus on Gateway Cities and Black and Latino populations, as well as \$1 million for regional economic development grants.

Focusing on tailored actions to support industry clusters like the life sciences, *Partnerships for Growth* seeks to map clusters to regional competitive advantages in ways that support growth across the Commonwealth. The FY21 budget again includes an outside section that directs \$10 million of any FY20 consolidated net surplus to the Massachusetts Life Sciences Center and an additional \$10 million to the Community Preservation Trust Fund before the remaining surplus money is deposited into the Stabilization Fund at the end of FY20. In 2018, Governor Baker signed legislation reauthorizing support for the Massachusetts Life Sciences Center, including up to \$623 million in bond authorization and tax credits over five years in education, research and development, and workforce training.

## **Housing and Homelessness**

Ensuring current and future residents across the socio-economic spectrum have access to sustainable and affordable housing remains a top priority for the Baker-Polito Administration. Today, more people are working in Massachusetts than ever before, and maintaining economic growth and development depends on the ability of workers and their families to find housing options that meet their unique needs.

In February 2019, the Administration filed comprehensive housing legislation to enable cities and towns to adopt certain zoning best practices related to housing development by a simple majority vote, rather than the current two-thirds supermajority. This legislation will not mandate cities and towns to make any of these zoning changes, but will allow municipalities that want to rezone for denser, transit- or downtown-oriented, and new housing development to do so more easily.

Housing is at the center of *Partnerships for Growth*, the Administration's economic development plan, because it is a core issue across the state, and House 2 advances an ongoing commitment to increasing and strengthening the Commonwealth's housing portfolio. The Baker-Polito Administration has invested over \$1 billion in capital funds since 2015 to support affordable housing options throughout the Commonwealth. These resources support the preservation and rehabilitation of existing affordable housing units, provide assistance to small public housing authorities with capital planning and project management, and finance construction of new affordable housing.

The Administration plans to continue to use capital funding to support its Housing Choice Initiative which provides grant awards and technical assistance to cities and towns that have met housing production goals over the past five years. This equips them with an incentive to plan for and build diverse housing stock, furthering the Administration's goal of creating 135,000 new housing units in Massachusetts by 2025.

House 2 continues support for the most vulnerable populations, providing \$184.4 million for the Emergency Assistance family shelter system, of which \$2.2 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 recommends \$53.4 million to maintain an estimated 3,036 beds, services, and day programs at homeless shelters for individuals.

The Administration has decreased the number of families temporarily sheltered in hotels and motels from approximately 1,500 families in January 2015 to just 14 families as of January 2020. This significant achievement has been made possible in part due to the availability of additional housing and shelter options through budgetary resources.

The FY21 budget also makes the following funding available:

- \$27.2 million for the HomeBASE household assistance initiative, an increase of \$1.6 million (6.2%) over FY20 spending. This program assists families with up-front housing costs as an alternative to shelter placements, and in FY19, helped 1,843 families move into permanent housing from shelters
- \$4.9 million for the Homeless Individuals Rapid-Rehousing Program which diverted 726 individuals from shelter and placed 1,545 individuals in shelter into permanent housing in FY19
- \$120 million for the Massachusetts Rental Voucher Program (MRVP), to support an estimated 9,427 vouchers in FY21, an increase of 33% compared to FY15
- \$72 million in funding for local housing authorities
- \$3.8 million for Housing Consumer and Education Centers which offer housing assistance, services, and information to low-income and moderate-income residents
- \$21 million commitment to the Rental Assistance for Families in Transition (RAFT) program for assistance in preventing homelessness

- \$7.5 million for the DMH Rental Subsidy Program, a collaborative program through which DMH provides mental health services and DHCD provides rental assistance
- \$7.4 million for the Alternative Housing Voucher Program which provides mobile housing vouchers to the non-elderly disabled

## **Energy and the Environment**

Massachusetts continues to be a national leader in protecting our natural landscape, preparing for and mitigating the effects of climate change, and promoting the development of clean energy and energy efficiency.

To meet the growing need across the Commonwealth for climate resilience funding, the Baker-Polito Administration in January 2019 filed the ResilientMA legislation, or Senate Bill 10, to fund a substantial and sustained investment in climate change adaptation. Through a modest increase to the deeds excise, an estimated \$137 million annually would be generated and directed towards investments in resilient infrastructure to help make communities safer, keep vital services online, reduce the long-term costs of climate-related risks and protect the value of property across the Commonwealth.

Through initiatives such as the Municipal Vulnerability Preparedness Program (MVP) and the first-in-the-nation State Hazard Mitigation and Climate Adaptation Plan (SHMCAP), the Baker-Polito Administration is helping ensure cities and towns throughout the Commonwealth are prepared for climate change. As part of the largest release of climate change resilience funding for Massachusetts communities in state history, over \$20 million has been awarded to municipalities in grants through MVP to identify vulnerabilities to climate change and implement projects that build local resilience. Since 2017, over 70% of municipalities have been designated as MVP Communities by the Administration due to their work in planning for and adapting to climate change.

House 2 builds upon these efforts and recommends a total investment of \$298 million for the Executive Office of Energy and Environmental Affairs (EOEEA).

The House 2 proposal includes a \$1.3 million (2%) increase over the FY20 budget for the Department of Environmental Protection (DEP), for a total recommendation of \$62.9 million. This funding increase strengthens ongoing efforts to protect residents and communities from per- and polyfluoroalkyl substances (PFAS) in drinking water, as the FY19 supplemental budget previously provided \$24 million in funds for water infrastructure including statewide PFAS testing and PFAS remediation. House 2 supports new PFAS-dedicated personnel tasked with implementing a sampling program, responding to contamination, and carrying out remediation efforts. An additional \$1.2 million at the Department of Public Health will enable proactive inspections and testing of bottled water and food supplies for PFAS contamination.

The FY21 budget proposal includes \$33 million for the Department of Agricultural Resources, an increase of \$4.5 million (16%) above the FY20 budget. Funding for addressing the spread of mosquito-borne diseases like Eastern Equine Encephalitis is maintained at \$5 million, which is level to FY20 costs, and will support pesticides, testing, ground sprays, and supplies. The investment also includes \$20 million for the Massachusetts Emergency Food Assistance Program supporting more than 22.5 million healthy and nutritious meals for individuals in need.

The Administration recommends a \$2.7 million (15%) increase to Department of Public Utilities' FY20 budget, for a total of \$20.8 million in House 2. The recommendation sustains a \$5 million investment in the pipeline safety division's critical testing, investigations, and oversight responsibilities to ensure that natural gas distribution companies and other utilities are in compliance with safety regulations. House 2 also includes outside sections that would increase the safety of the Commonwealth's gas pipeline infrastructure by requiring gas companies to address aging or leaking natural gas infrastructure and increasing the penalties for violations of various safety regulations.

The FY21 budget also recommends:

- \$103.5 million for the Department of Conservation and Recreation
- \$31.9 million in funding for the Department of Fish and Game
- \$4.5 million for the Department of Energy Resources