



SMART GROWTH AND REGIONAL COLLABORATION

FY2021 Budget: [House 2](#)

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On January 22, Governor Baker released his FY2021 budget proposal, known as [House 2](#). Appropriations included in the proposal totaled \$44.6 billion. The legislature never took up this proposal because of the COVID-19 pandemic and the ensuing financing challenges.

Experts testified before the Ways and Means Committees earlier this spring on the changing fiscal picture and estimated that tax collections could fall \$4 to \$6 billion below initial estimates. This summer the House and Senate passed a one month and then a three-month interim budget that were signed into law by the Governor to continue state funding. The second interim budget is set to expire at the end of October.

On October 14, 2020 the Governor released a revised FY21 budget alongside a revised revenue forecast. The revised budget proposes \$45.5 billion in gross spending, an increase over the original H.2 proposal that the Governor attributes primarily to the increased caseload costs at MassHealth related to the COVID-19 pandemic. It is built on a FY21 \$27.592 billion tax revenue forecast and anticipates a \$3.6 billion drop in tax receipts.

A summary of key line items is included below. Because the current interim budget is set to expire at the end of October, we anticipate that the legislature will soon approve another interim budget or advance a comprehensive FY21 proposal.

Key MAPC Programs

District Local Technical Assistance - within line item 1599-0026

FY2020: \$3 million
Governor FY2021: \$3 million
Governor FY21 Revised: \$3 million
MAPC FY2021 Revised request: \$3 million

Senator Charles Shannon Community Safety Initiative - line item 8100-0111

FY2020: \$11 million
Governor FY2021: \$11 million (Safe and Successful Youth Initiative: \$10 million)
Governor FY21 Revised: \$11 million (Safe and Successful Youth Initiative: \$10 million)
MAPC FY2021 Revised Request: At least \$11 million

Also within 1599-0026:

FY2020:
Governor FY2021:
Governor FY21 Revised

Community Compact Grants
\$0 million
\$2 million
\$4 million

Efficiency and Regionalization Grant
\$0 million
\$2 million
(not mentioned)

Local Aid

Earlier this summer the Governor and both branches committed to protecting local aid for cities and towns. Revised cherry sheets were also released. Click [here](#) for Preliminary Municipal Cherry Sheet Estimates or [here](#) for Preliminary Regional Cherry Sheet Estimates.

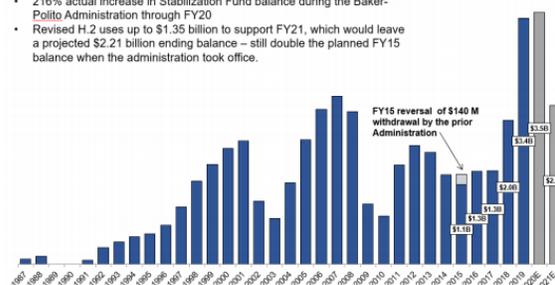
- **UGGA.** Proposes \$1.29 billion
- **Chapter 70.** Proposes \$5.28 billion for education local aid. This is higher than the FY20 funds by \$108 million but less than the original H.2 proposal.
- **Education.** The special education circuit breaker (7061-0012), regional school transportation reimbursements (7035-0006), and charter school reimbursements (7061-9010) are all held to the FY20 GAA amounts. McKinney-Vento homeless student transportation (7035-0008) is increased slightly from FY20 and is consistent with the Administration's FY21 funding commitment.
- **Technology Shared Services (1790-0200).** This line item sees a proposed increase of 60% to 64,904,081.

Stabilization Fund (also known as Rainy Day Fund)

The budget proposal in January included a transfer of \$310 million to the State Stabilization Fund. The revised House 2 authorizes a withdrawal of up to \$1.35 billion with the anticipation that this amount would be reduced if tax collection or federal revenue assumptions change.

Stabilization Fund Balance, FY87-21

- 216% actual increase in Stabilization Fund balance during the Baker-Polito Administration through FY20
- Revised H.2 uses up to \$1.35 billion to support FY21, which would leave a projected \$2.21 billion ending balance – still double the planned FY15 balance when the administration took office.



Housing

- **Housing Assistance.** MA Rental Voucher Program is funded at \$113.2 million, up from \$110 million in FY20 (7004-9024). The alternative Housing Voucher program is funded at \$5.62 million, up from the proposed H.2 amount but a decrease from the \$8 million funded in FY2020 (7004-9030) \$122.7 million in MRVP.

Additionally, earlier in October the Governor announced the **Eviction Diversion Initiative** which includes \$112 million in new funding for a total of \$171 million in supports for housing. These are the funding amounts included in the Governor's program:

- \$100 million commitment this fiscal year to expand the capacity of the Residential Assistance for Families in Transition (RAFT) program to provide relief to renters and landlords impacted by COVID-19. RAFT benefit to be raised from \$4,000 to \$10,000 per household;
- Streamlined application process for both the RAFT and Emergency Rental and Mortgage Assistance (ERMA) programs for low to moderate income households;
- Property owners with fewer than 20 units allowed to apply directly for RAFT and ERMA, with consent from tenants.
- \$48.7 million to HomeBASE and other rapid rehousing programs for when tenants are evicted and are at risk of homelessness;
- \$12.3 million to provide tenants and landlords with access to legal representation and related services prior to and during the eviction process, as well as community mediation to help tenants and landlords resolve cases outside of court;
- \$6.5 million for Housing Consumer Education Centers (HCECs); and
- \$3.8 million for the Tenancy Preservation Program (TPP), to provide case management support and to act as a neutral party to help tenants and landlords come to agreement.



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Transportation

- **MBTA.** Level funds the Commonwealth's operating budget transfer to the MBTA at FY20 level of \$127 million, down from the H.2 proposal of \$200 million (1595-6369).
- **RTA.** Funding for the RTAs is proposed at \$87 million in base funding with an additional \$3.5 million in innovation grants for RTAs. The 2019 RTA Task Force Report called for a base rate of \$90.5 million and increases for inflation since FY20 (1595-6370).
- **TNC oversight.** The revised budget maintains a small increase of approximately \$500,000 to support oversight of TNCs at DPU (2100-0017).

Economic Development and Small Business Supports

- **Regional recovery planning grants.** Includes \$6 million for Regional Economic Development Grants (7007-0150), a \$5 M increase over FY20.
- **Small Business Technical Assistance Grant Program.** Nearly doubles the program to \$6 million over \$3.1 million FY2020.
- **Mass Growth Capital Corporation.** The Governor proposes \$92.7 million in new grants and technical assistance (7002-2020). The line item describes allocating \$35 million for small businesses impacted by COVID-19, \$7.7 million for small business TA and grants focused on women-owned and minority business enterprises, \$35 million for matching grants to community development corporation to enable leveraging grants, \$15 million for matching grants to low- and moderate-income entrepreneurs.
- **Career Technical Institutes.** Reiterates a proposal include in FY21 proposal to transform vocational high schools into institutes running three shifts a day to train workers in skilled trades and expand capacity for adults to earn industry-based credentials.
- **Early Education.** Includes an additional \$10 million to enable reductions in parent contributions under an anticipated new parent fee schedule.
- **Chapter 257 Rate Increase.** Maintains proposed H.2 increase in rate for EHS providers increasing the spending to \$160 million from \$20.5 million.
- The Governor notes that his revised plan includes recommendations of the Black Advisory Commission and Latino Advisory Commission including \$750,000 to expand the "Learn to Earn Initiative," \$5.9 million for Adult Basic Education and \$2.5 million to fund a grant program investing in local entrepreneurs.

Revenue within the budget

The revised FY21 budget proposal, like the bill filed in January, includes sources of new revenue:

- **Transportation Network Companies (TNC).** Increase the per ride fee of \$.20 to \$1.00. 30% of the revenue raised would go to the municipality where the trip originated (currently \$0.05 of each ride) and 70% would go to the Commonwealth Transportation Fund.
- **Opiates.** Tax gross receipts of manufacturers of opioids from the sale of their opioid products to support substance misuse treatment and services at estimated \$16 million.
- **Sports Betting.** Assumes \$35 million in revenue from sports betting, an activity that is not yet legal in the Commonwealth.
- **Sales Tax Modernization.** Establishes two phase process beginning in FY21 to shorten time between collection and remittance of sales tax for large retailers, shifting the monthly collection process earlier and netting \$100 million in fiscal 2021 in one-time additional revenues that will be put toward MSBA, MBTA and COVID-19 economic impacts.
- **Vaping Excise Tax.** New to the revised proposal, imposes a 75% excise tax on the legal sale of vaping products.