

CHARLIE BAKER
Governor



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Lt. Governor

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Governor Charlie Baker Signs Fiscal Year 2022 Budget



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BOSTON — Governor Charlie Baker today signed the Fiscal Year 2022 (FY22) budget into law, a \$47.6 billion plan designed to support the Commonwealth's communities, schools, families, small businesses, and workers as Massachusetts emerges from the COVID-19

pandemic. The budget fully funds the implementation of the landmark Student Opportunity Act, strengthens local communities, and supports key priorities like job training and assistance for small businesses. The budget is in balance, does not rely on new taxes, and forecasts a \$1.2 billion deposit in the Commonwealth's Stabilization Fund, bringing the total balance of the fund to \$5.8 billion, an increase of \$4.7 billion since the beginning of the Baker-Polito Administration.

The funding in this budget would complement the Administration's recently-filed legislation to immediately put to use \$2.915 billion in federal American Rescue Plan Act (ARPA) discretionary funding to help jump-start the Commonwealth's economic recovery and support residents hardest-hit by COVID-19, such as lower-wage workers and communities of color. This \$2.915 billion would include investments in housing and homeownership, economic development and local downtowns, job training and workforce development, health care, and infrastructure. Additionally, with state revenues continuing to exceed benchmarks, the Administration's proposal for a 2-month Sales Tax Holiday would provide further relief for small businesses and residents, especially lower-wage workers who are most impacted by the sales tax.

"The FY22 budget makes historic investments in our communities, schools, economy, and workers as Massachusetts emerges from the pandemic," **said Governor Charlie Baker.** "As we continue in our economic recovery, we are focused on supporting those communities that have been hardest hit by COVID-19, and this budget will complement our \$2.9 billion proposal to invest a portion of Massachusetts' federal funds in urgent priorities that support communities of color and lower-wage workers. By working with our legislative partners to carefully manage the Commonwealth's finances and by reopening our economy, we now expect to make a \$1.2 billion deposit in the Stabilization Fund through this budget, bringing the balance to \$5.8 billion, an increase of over 400% since we took office. We are able to responsibly grow our reserves without raising taxes, while continuing to make historic investments in our schools, job training programs and downtown economies."

"The spending blueprint for FY22 provides resources for every local city and town throughout Massachusetts as we continue supporting the ongoing economic recovery," **said Lieutenant Governor Karyn Polito.** "This budget supports key priorities like education, job training, downtown development, and other priorities that will be crucial as we support our economic recovery and those communities hardest hit by the pandemic. We look forward to continuing to work with our legislative partners to make crucial investments that will support these communities in the months ahead."

"We are proud to have worked closely with our colleagues in the House and Senate in finalizing the FY22 budget and ensuring responsible levels of state spending," **said Administration and Finance Secretary Michael J. Heffernan.** "While revenue collections continue to exceed projections, we remain committed to promoting budget stability, building financial reserves, and minimizing risk associated with future economic uncertainty."

Fiscal Overview

This FY22 budget incorporates an upgraded \$34.3 billion tax revenue forecast. This represents an increase of \$4.2 billion over the FY22 consensus tax revenue estimate announced in January, based off better-than-expected actual tax collections in recent months. The budget includes a total of \$47.6 billion in gross spending, excluding the Medical Assistance Trust Fund transfer, which reflects approximately 3.6% growth in authorized spending over Fiscal Year 2021 (FY21).

The budget as enacted is in structural balance, with no planned Stabilization Fund withdrawal. Instead, the revised capital gains tax collections are expected to result in a \$1.2 billion deposit in the Stabilization Fund during FY22, bringing the fund to an all-time high balance of \$5.8 billion. This represents an increase of \$4.7 billion or 421% since 2015, a significant achievement thanks to the collective fiscal discipline of the Administration and the Legislature that will help protect essential government services in the event of future economic uncertainty or downturns.

Investing in Massachusetts' Future

The FY22 budget supports historic investments in local schools: The budget fully funds the Student Opportunity Act as it includes a \$219.6 million increase in the annual Chapter 70 investment. It also provides an additional \$28.2 million for special education circuit breaker reimbursement for local cities and towns, as well as \$34.3 million in additional funding for charter school reimbursement. This funding 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.

As the impacts of the pandemic have fallen disproportionately on communities of color, the FY22 budget provides over \$35 million to continue implementing the recommendations of the Black Advisory Commission (BAC) and the Latino Advisory Commission (LAC). This includes funding across a range of initiatives and programs including Adult Basic Education, YouthWorks Summer Jobs, early college, teacher diversity, small business development, financial literacy, and workforce training. The FY22 budget also fully funds the newly elevated Supplier Diversity Office, which is responsible for ensuring accountability and compliance with diversity goals, overseeing agency diversity spending, and auditing and reviewing spending data.

Recognizing the significant needs around workforce training identified in the Administration's recently-published Future of Work Report, the Administration is focused on connecting workers with career pathways in high-demand fields. The FY22 budget includes a total investment of \$17.9 million across state agencies for transforming vocational high schools into Career Technical Institutes and training 20,000 new workers in skilled trades and technical fields over four years. This initiative will increase student demand, involve businesses in program development and credentials, reduce barriers to licensure, and create incentives for completion and post-graduate employment.

The budget also supports Massachusetts' small businesses and downtown economies as the Commonwealth's economic recovery moves forward. The FY22 budget includes \$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. It also provides \$6 million for regional economic development grants.

To continue supporting local communities throughout Massachusetts, the FY22 budget increases the Unrestricted General Government Aid (UGGA) investment by \$39.5 million compared to the FY21 budget. This translates to a total UGGA investment of \$1.168 billion to cities and towns. Under the Baker-Polito Administration, total annual UGGA has increased by \$222.4 million (23.5%).

The budget provides \$3.6 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 local technical assistance.

The Governor's Council to Address Sexual Assault and Domestic Violence, chaired by Lieutenant Governor Polito, continues to work closely with community partners and local stakeholders to ensure that survivors and their families have access to services and supports necessary in times of crisis. The FY22 budget continues these efforts with a \$103.8 million investment to address sexual assault and domestic violence, a 61% increase over Fiscal Year 2015 (FY15) spending.

The COVID-19 pandemic has exacerbated substance misuse issues across Massachusetts. The FY22 budget continues to provide substantial resources toward this critical priority with a total investment of \$408 million across a variety of state agencies. This translates to an increase of \$72.8 million above the FY21 budget, and an increase of \$288.8 million (242%) since FY15.

The public health emergency has also intensified the housing crisis and disproportionately impacted vulnerable communities. The budget continues promoting access to sustainable and affordable housing through numerous programs and initiatives including \$197 million for the Emergency Assistance family shelter system, \$151 million for the Massachusetts Rental Voucher Program, \$85 million for local housing authorities, and \$12.5 million in rental subsidies through the Department of Mental Health.

Outside Sections and Earmarks

The Governor also signed several outside sections attached to the FY22 budget. One such section was filed by the Administration and creates a Disability Employment Tax Credit to support businesses that hire individuals with disabilities. For qualifying employees who work a minimum of 12 consecutive months, this credit will be \$5,000 per employee for the first year of employment and \$2,000 for subsequent years, furthering the Administration's

commitment to improving employment opportunities and economic security for individuals with disabilities.

Another section originally proposed by the Administration makes permanent the Massachusetts Education Financing Authority's College Savings Tax Deduction Program, which was scheduled to sunset at the end of 2021. Nearly 30,000 tax filers across Massachusetts benefit from this program each year and save a total of approximately \$2.3 million.

The Governor vetoed \$7.9 million in gross spending. Of 149 outside sections, the Governor signed 122, vetoed 2, and returned 25 to the Legislature with proposed amendments.

Given the Commonwealth's fiscal position, Governor Baker vetoed 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 necessitate this tax deduction's going into place.

Key FY22 Highlights Include:

Education

- Fully funds the implementation of the landmark Student Opportunity Act
 - \$219.6 million increase in Chapter 70 funding, for a total Chapter 70 investment of \$5.503 billion
 - \$28.2 million increase for special education circuit breaker reimbursement for local cities and towns
 - \$34.3 million in additional funding for charter school reimbursement
- Total investment of \$879.7 million in the Department of Elementary and Secondary Education, excluding Chapter 70
- 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

Early Education

- \$800.9 million for Early Education and Care (EEC)
- Builds on approximately \$687 million in federal support for child care

Higher Education

- \$1.386 billion investment for the Department of Higher Education, University of Massachusetts, and state universities and community colleges, representing a \$222.1 million (19%) increase since 2015
- Includes over \$152.3 million for financial aid and fee waiver programs at college campuses, including last-dollar scholarships for low-income students at both state universities and community colleges, support for the continued expansion of early college and dual enrollment programs, and full funding for Commonwealth

Commitment, while maintaining support for 1,400 eligible students currently or previously in the custody and care of DCF, or who have been adopted through DCF

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
- The Career Technical initiative is designed to train 20,000 new workers over four years in skilled trades and technical fields including plumbing, HVAC, manufacturing, and robotics

Promoting Equality and Opportunity

- Over \$35 million to support the recommendations of the Black Advisory Commission (BAC) and the Latino Advisory Commission (LAC)

Supporting Local Government

- Increases the Unrestricted General Government Aid (UGGA) investment by \$39.5 million compared to the FY21 budget
 - Total UGGA investment of \$1.168 billion to local cities and towns across the Commonwealth.
 - Under the Baker-Polito Administration, total annual UGGA has increased by \$222.4 million (23.5%)
- \$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

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

Housing and Homelessness

- \$197 million for the Emergency Assistance family shelter system
- \$151 million for the Massachusetts Rental Voucher Program (MRVP), an increase of 117% compared to FY15
- \$85 million in funding for Local Housing Authorities

- \$26 million for HomeBASE Household Assistance
- \$12.5 million in rental subsidies through the Department of Mental Health

Health and Human Services

- \$26.485 billion 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

Public Health

- \$807.5 million in funding for the Department of Public Health
 - Supports key new positions with a focus on the State Lab and public health hospitals
 - \$15 million in grants to local boards of health

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

Veterans

- \$97.3 million for the Department of Veterans' Services
- \$36.1 million for the Soldiers' Home in Chelsea to support required staffing and services in preparation for the opening of the Chelsea Soldiers' Home Community Living Center in FY23
- \$28.3 million in funding for the Soldiers' Home in Holyoke to fund adequate staffing levels and support quality care and infection control protocols

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

Children and Families

- \$1.104 billion for the Department of Children and Families, marking a \$277 million increase since 2015
 - \$20 million in new funding to support the new congregate care network designed to achieve safety, permanency, and well-being outcomes for 2,000 DCF-involved children, adolescents, and young adults
 - Foster care rate increases for foster parents

- Funding of Chapter 766 rate increases for children in privately-run special education schools
- \$169.6 million in funding for the Department of Youth Services
- \$10.7 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
- \$2.291 billion for DDS, an increase of \$158.3 million over the FY21 budget
- \$1 million across EOHHS and its agencies, including the Massachusetts Commission for the Deaf and Hard of Hearing (MCDHH), to expand the production of vlogs in American Sign Language (ASL) and increase communication access to public services for individuals who are Deaf and Hard of Hearing

Behavioral Health

- \$952 million for the Department of Mental Health
 - Funding to re-procure Children, Youth, and Family Intensive Community Services (ICS) and better meet the needs of children and adolescents

Transportation

- \$1.36 billion in total operating budget transfers for the MBTA
- \$403 million for the Massachusetts Department of Transportation (MassDOT)
- \$90.5 million for Regional Transit Authorities
- \$11 million for the Merit Rating Board, an increase of \$300,000 over FY21

Criminal Justice and Public Safety

- \$745.4 million for the Department of Correction, including \$213.9 million for medical and mental health contract costs
- \$411.9 million for State Police public safety and crime lab operations and includes support for the 87th RTT class
- \$12.3 million in funding for the Shannon Grant program to fund anti-gang and youth violence prevention efforts
- \$4.1 million for the Massachusetts Emergency Management Agency (MEMA), a \$2.2 million increase from the FY21 budget
 - Increased investment improves the state of readiness across the Commonwealth and enables MEMA to do more frequent and in-depth reviews on emergency management plans, increase trainings and exercises, add staffing, and warehouse critical commodities

Energy and the Environment

- \$112.3 million for the Department of Conservation and Recreation
- \$63.7 million for the Department of Environmental Protection (DEP)
- \$44.4 million for the Executive Office of Energy and Environmental Affairs (EOEEA)
- \$2.2 million for climate change and adaptation preparedness

Modernizing and Security Government IT

- \$138.8 million for the Executive Office of Technology Services and Security (EOTSS) to support managing a new cybersecurity operations center which provides 24/7 monitoring capabilities of systems to identify and help mitigate potential cyber threats. EOTSS is also implementing a security incident event management software platform for threat monitoring and analytics

To access the FY22 budget, please click [here](#).

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