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MTF Bulletin

May 27, 2021

Senate FY 2022 Budget

Today, the Senate completed three days of debate to finalize its fiscal year (FY) 2022 budget. After adding \$63.7 million in additional spending and 83 new policy sections, the Senate and House budgets will now be reconciled through conference committee negotiations as we near the July 1st start of the next fiscal year.

Senate Debate & Final Budget Overview

Figure 1. FY 2022 Budget Spending Comparison

	FY 2021 Current	FY 2022 Gov	FY 2022 House Final	FY 2022 SWM	Senate Floor	Senate Final
Line item spending	\$45,840.0	\$45,399.9	\$47,243.8	\$47,188.0	\$63.7	\$47,251.7
MATF	\$537.2	\$456.5	\$471.4	\$471.4	\$0.0	\$471.4
<i>Total on-budget</i>	<i>\$46,377.2</i>	<i>\$45,856.3</i>	<i>\$47,715.1</i>	<i>\$47,659.4</i>	<i>\$63.7</i>	<i>\$47,723.1</i>
Diff v. Senate final	-\$1,282.1	-\$1,866.7	-\$7.9	-\$63.7	\$47,659.4	\$0.0

Adopting 455 amendments, the Senate added \$63.7 million in new spending. Total spending in the Senate budget stands at \$47.7 billion, \$1.9 billion more than the Governor’s initial proposal and \$7.9 million more than the House budget. Different MassHealth enrollment assumptions account for \$1.4 billion in the spending difference between the Senate and Administration budgets. Adjusting for this difference, the Senate spends \$464 million more than the Governor proposed.

Like the House, earmarks for local and other small programs account for most (66.7 percent) of the spending added in the Senate budget debate, but \$21.2 million was also added to boost funds for local boards of public health, local tourism boards, several K-12 education programs and other larger programs.

The Senate also adopted 83 new policy sections in addition to the 60 policy riders included in the SWM version of the budget. The Senate added several tax policy changes, created numerous dedicated trust funds, formed task forces on higher education affordability and increased fees and oversight and reporting requirements related to transportation network companies.

Senate Budget Resource Changes

The SWM budget left \$73.9 million in projected FY 2022 revenues unexpended and that surplus is sufficient to offset the \$63.7 million in spending added through amendment. After accounting for amendment spending, the final Senate budget will have a surplus of approximately \$10 million.

The Senate's final budget eliminates three credits, beginning in tax year 2022 that will impact the Commonwealth's finances in FY2022 and future years:

- Harbor maintenance tax credit, which provides a tax credit to eligible shippers, importers and exporters;
- Medical device company tax credit, which provides eligible companies a transferable tax credit related to FDA fees necessary to secure pre-market approval or other necessary clearances;
- Energy patents income deduction, which allows income tax filers to deduct income derived from energy conservation patents.

Combined, these credits have an annual fiscal impact in the \$2 million range. This savings will be offset by the Senate adoption of an amendment to create a new \$2 million tax credit for qualified cranberry bog renovations.

The Senate also adopted an amendment that increases fees for transportation network companies like Uber and Lyft. Under the Senate budget, the current \$0.20 per ride fee would be increased to \$0.40 for shared rides and \$1.20 for non-shared rides. The revenue from the fees would be split between municipalities, the Commonwealth Transportation Fund, and transit authorities. This fee change is expected to generate \$50 – \$100 million annually.

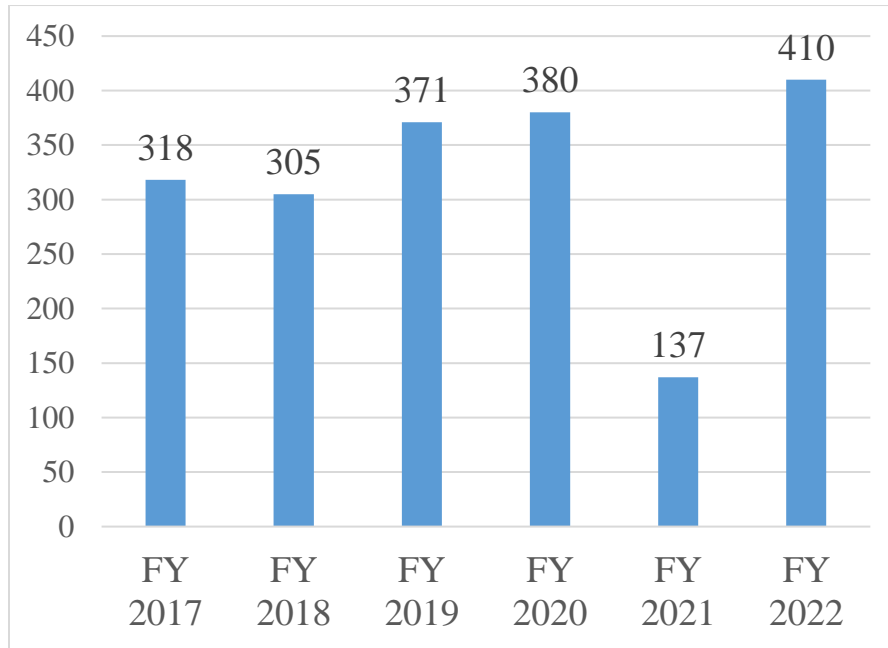
Senate Spending & Policy Additions

The Senate adopted 369 amendments that added spending. Spending amendments can be generally divided into two categories: increases to support or create general programs and funds earmarked for a specific use within a larger program.

Earmark spending

Both the House and Senate returned to pre-pandemic earmark levels in the FY 2022 budget. The added 410 earmarks through amendment totaling 42.5 million in new spending.

Chart 1. Senate Earmarks Added by Year



Earmarks often support projects or services in a specific community. The median earmark in the Senate budget was \$50,000. The most common type of earmark is for local economic development efforts, though earmarks often support local school systems, police departments or parks and recreation facilities.

Figure 2. House Spending by Policy Area

Category	Gross	Earmarks	Non-earmark
Education	\$9,900,000	\$5,450,000	\$4,450,000
Economic development	\$13,424,000	\$8,874,000	\$4,550,000
Local projects & programs	\$3,963,200	\$3,963,200	\$0
Health and human services	\$18,723,419	\$10,165,000	\$8,558,419
Environment	\$4,189,000	\$4,089,000	\$100,000
Public safety	\$8,060,750	\$6,660,750	\$1,400,000
Judiciary	\$1,087,000	\$1,087,000	\$0
Government	\$3,310,400	\$1,260,000	\$2,050,400
Transportation	\$170,000	\$170,000	\$0
Other	\$865,000	\$765,000	\$100,000
Total spending	\$63,692,769	\$42,483,950	\$21,208,819

Other Spending

The Senate added a further \$21.2 million in non-earmark spending increases to 28 line items. Notable increases include:

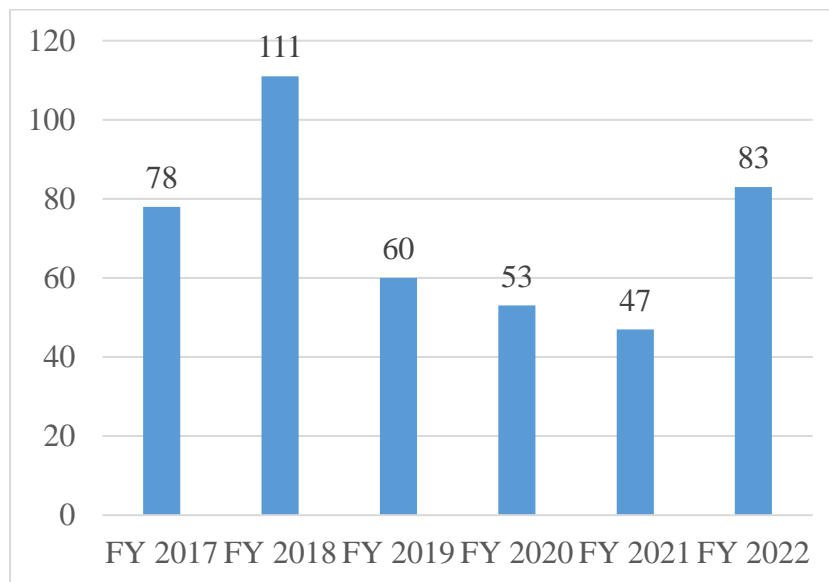
- \$4.3 million to support several public health programs, including:
 - \$1 million added to smoking cessation programs;

- \$1 million for the state’s Early Intervention program
- \$1 million for two new programs to raise awareness of the availability of 12 month contraceptive prescriptions (\$500K) and improve perinatal and neonatal health outcomes;
- \$3.3 million in added funding for local school districts:
 - \$1.3 million to increase support for METCO;
 - \$1 million to increase reimbursement rates for regional school transportation;
 - \$1 million to increase rural school grants from \$3 million to \$4 million;
- \$3 million to increase grants to local boards of public health from \$10 million to \$13 million;
- \$2 million for Community Compact grants to municipalities;
- \$2 million in additional grants for local tourism around the state;
- \$1.4 million to create a new entrepreneur and startup mentoring program to create a diverse talent pipeline; and
- \$1 million to increase total funding for the Shannon Grant program to \$12.3 million. Shannon grants support supports gang violence prevention programs around the state.

Policy Sections

The Senate added 83 new policy sections and amended 5 sections in the SWM budget.

Chart 2. Senate Policy Sections Added by Year



In addition to the transportation network company fees, elimination of tax credits and establishment of a new cranberry bog renovation tax credit referenced above, other notable policy sections include:

- Commissioned employees – eliminates treble damages for employers who compensated commissioned employees in good faith based on an advisory guidance from the state that was later superseded by a Supreme Judicial Court ruling;

- State employee health insurance – requires the Group Insurance Commission to examine the state’s policy of delaying health insurance coverage for new employees for 90 days;
- Non-disclosure agreements – prohibits government entities from including non-disclosure or non-disparagement provisions in employment or settlement agreements;
- Incarceration reinvestment trust fund – creates a new trust fund, to be capitalized by up to \$10 million annually, to support job training and employment opportunity programs among communities disproportionately impacted by incarceration;
- Human trafficking and violent crime – requires law enforcement agencies to develop a policy for certifying nonimmigrant status forms for victims of human trafficking or other violent crimes planning to petition for nonimmigrant visas;
- Insurer reinsurance standards – updates state statutes related to insurance company reinsurance standards to conform to federal requirements;
- The Senate also adopted several commission and task forces, including:
 - Higher education affordability task force;
 - School building funding adequacy and equity task force;
 - Police recruitment and retention task force;
 - Commission on the use of screening assessments of childhood trauma and wellbeing;
 - Commission to plan for the 250th anniversary of the American Revolution in the Commonwealth; and
 - Commission on methamphetamine use in the Commonwealth.

Bottom Line

The Senate budget debate followed a familiar pattern by adding \$63.7 million in new spending, largely focused on local earmarks and adopting 83 new policy sections. Both the Senate and House budgets account for significant revisions in MassHealth enrollment and provide approximately \$400 million in investments over and above the Governor’s original proposal.

The House and Senate budgets now head into Conference Committee for resolution. Conference committee negotiators, led by the Chairs of the House and Senate Committee on Ways and Means, will need to resolve a variety of differing policy proposals, most notably related to tax. The House and Senate budgets differ on how the state’s film tax credit should continue in the future, while the Senate budget includes a number of tax proposals not addressed by the House.

In the coming weeks, MTF will publish an analysis of major fiscal and policy issues before the Conference, but the most important issue to be resolved is clear: adjustments to both tax and stabilization fund assumptions used to build the budget. Tax revenues have exceeded expectations by \$1.8 billion since the consensus tax revenue figure for FY 2022 was established in January and a significant upgrade is appropriate. Given the availability of additional tax revenues, and recent federal Treasury Guidance that prohibits the state from using American Rescue Plan resources to rebuild state reserves, it is vital that budget conferees also agree to eliminate any planned Stabilization Fund draw in the coming year.