



333 Washington Street | Suite 853 | Boston, MA 02108 | 617.720.1000
www.masstaxpayers.com

MTF Bulletin

May 10, 2022

Senate Ways and Means FY 2023 Budget

The Senate begins its budget process today, with the release of the Senate Ways and Means proposal. The SWM budget follows a similar script to the House, foregoing a tax relief proposal put forward by Governor Baker and including hundreds of millions in new investments. Like earlier proposals, the SWM budget makes a historic new investment in K-12 education and includes an \$880 million hospital assessment and reinvestment proposal. The SWM budget stands out from other budgets for investments in child care, scholarships, and support for low-income communities.

Budget Overview

SWM proposes \$49.8 billion in line-item spending, along with \$6.8 billion in off-budget transfers, for total spending of \$56.6 billion. This is an increase of \$2.16 billion over the FY 2022 budget signed into law last July.¹

SWM Spending and Revenue in Brief

Spending					
	FY 2022	FY 2022	FY 2023	FY 2023	FY 2023
	GAA	Current	Gov	House	SWM
Line-Item Spending	\$47,613.8	\$49,363.4	\$48,231.4	\$49,759.1	\$49,829.2
Medical Asst. Trust	\$471.4	\$471.4	\$575.9	\$575.9	\$575.9
Pre-budget Transfers	\$5,755.5	\$5,755.5	\$6,258.8	\$6,258.7	\$6,258.7
Other Spending	\$600.0	\$600.0	\$225.0	\$60.0	-\$65.0
Total Spend	\$54,440.7	\$56,190.3	\$55,291.1	\$56,653.7	\$56,598.8
Revenue					
	FY 2022	FY 2022	FY 2023	FY 2023	FY 2023
	GAA	Current	Gov	House	SWM
Total Tax Revenue	\$34,540.4	\$36,136.4	\$36,251.0	\$37,107.0	\$37,007.0
<i>Consensus Tax Revenues</i>	<i>\$34,350.0</i>	<i>\$35,951.0</i>	<i>\$36,915.0</i>	<i>\$36,915.0</i>	<i>\$36,915.0</i>
<i>Tax settlements</i>	<i>\$50.0</i>	<i>\$50.0</i>	<i>\$50.0</i>	<i>\$150.0</i>	<i>\$50.0</i>
<i>Total tax initiatives</i>	<i>\$140.4</i>	<i>\$135.4</i>	<i>-\$714.0</i>	<i>\$42.0</i>	<i>\$42.0</i>
Federal	\$14,117.8	\$15,379.5	\$12,393.2	\$13,108.2	\$13,180.5
Departmental & Transfers	\$7,234.8	\$7,141.7	\$7,473.0	\$7,416.4	\$7,476.9
Stabilization Fund & Transfers	-\$1,170.8	-\$1,261.0	-\$824.4	-\$906.7	-\$941.4
Total Revenue	\$54,722.2	\$57,396.6	\$55,292.8	\$56,724.9	\$56,723.0

\$ in millions

¹ The SWM budget’s total spending assumes that \$125 million in appropriated spending will go unspent and revert to the General Fund, which is why SWM’s “Other Spending” is a negative value.

Both the SWM and House budgets propose significantly more in spending than the Governor, with the SWM budget adding \$1.3 billion to the Administration's bottom-line.² There are two reasons for this:

- The Senate and House budgets include approximately \$645 million in additional MassHealth to reflect the extension of a federal Public Health Emergency.³
- SWM adds more than \$900 million in new programmatic spending instead of adopting the Administration's proposals to provide \$741 million in tax relief and make a supplemental pension payment of up to \$250 million.

The SWM budget assumes just over \$37 billion in FY 2023 tax revenue, consistent with the consensus tax agreement after adjusting for other tax assumptions. Tax revenue supports approximately two-thirds (65.4 percent) of SWM spending, while federal reimbursements provide an additional \$13.2 billion in revenue. Department revenues, including revenues from lottery and casino gaming, make up the remaining \$7.5 billion in budget resources.

SWM Budget – Five Things to Know

The SWM budget is notable for both the proposals it puts forth as well as several initiatives it does not include. The topics listed below will play a major part in the resolution of the FY 2023 budget and other fiscal bills to be considered over the next three months:

1. The SWM follows the House's lead in not including the Governor's \$741 million tax relief plan and opts to increase spending in a variety of areas instead;
2. SWM includes \$300 million in new spending for child care stabilization grants (\$250 million), workforce supports (\$25 million) and implementation of Early Education & Care Economic Review recommendations (\$25 million). The Governor proposed extending stabilization grants for the entire year in a FY 2022 supplemental budget, but this is the first FY 2023 budget proposal to include this investment;
3. This budget proposes \$31.5 million more in unrestricted local aid than the Governor and House, by doubling the rate of increase over FY 2022 to 5.4 percent;
4. SWM uses similar MassHealth spending and revenue assumptions to the House budget, but makes a larger investment in nursing home rates and updates several other spending assumptions. This means that the SWM budget includes \$745.4 million more in MassHealth spending and \$727.6 million more in Medicaid reimbursements than the Governor's plan;
5. SWM includes 75 policy sections, compared to 72 in the HWM budget. More than a quarter of the sections effectuate a new hospital assessment and reinvestment plan included in each budget plan to date.

² The SWM budget includes \$1.6 billion more in line-item spending than the Administration, but \$1.3 billion when off-budget spending and other assumptions are included.

³ For more information on the federal Public Health Emergency and its effect on state budget spending and revenue, see MTF's analysis of the House Ways and Means budget.

Key Revenue Sources

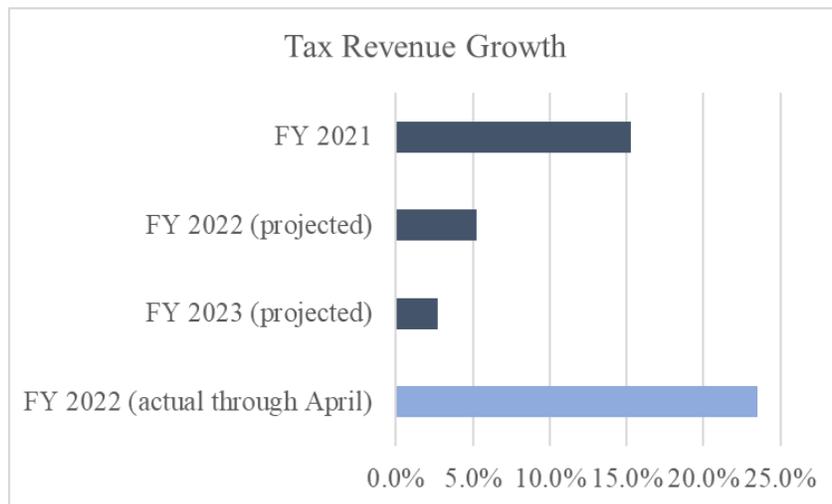
As MTF did in its previous HWM FY23 budget analysis, we organize the numerous sources of revenue in this analysis into four broad groups:

- Tax revenue assumptions and new tax proposals;
- Non-tax revenue initiatives;
- Notable non-tax revenue assumptions;
- Examination of ongoing versus one-time revenue initiatives.

Tax Revenue in SWM budget

Like earlier versions of the budget, the revenue foundation for the SWM budget is the \$36.9 billion consensus estimate agreed to in January, which assumes that baseline tax growth will slow markedly in FY 2023 after two exceptionally strong years. Since that time, however, actual collections have increased at a historic rate.

Tax Revenue Growth – FY 2021 to FY 2023



FY 2022 collections have continued to grow at a remarkable pace and currently exceed the benchmark by \$4.2 billion. This represents a 30.4 percent increase over FY 2021 collections through April. House and Senate leaders will need to adjust FY 2023 tax projections prior to finalizing the budget, and this revision will likely occur during Conference Committee negotiations, as was the case in FY 2022, when budget-makers added \$4.2 billion to tax projections after the Senate concluded its debate.

Governor Baker’s budget package included a [\\$741 million tax relief plan](#) as well as several tax code updates. The SWM budget does not contain any of the Governor’s tax relief proposals, but does include language to update the state’s conformity to the federal income tax. This conformity change would align the Massachusetts personal income tax code to the IRC in effect for 2022 rather than the 2005 version. As in the Governor’s budget, the SWM language would also decouple the Massachusetts income tax code from the current IRC with respect to the federal

business income deduction. This change would be retroactive to January 1st and is expected to boost tax revenues by \$42 million in FY 2023.

The SWM budget pares down the \$150 million assumption in tax settlements in FY 2023 used in the House budget to the more reasonable \$50 million, equal to the assumption used by the Administration. Massachusetts collected \$23.8 million in settlements in FY 2020 and \$32.9 million in settlements in FY 2021.

Notable Non-tax revenue

The SWM budget includes an Administration proposal to allow debit card purchase of lottery products. This change, which was not included by the House, would boost FY 2023 revenues by \$30 million. The SWM budget, like the House budget, excludes any revenues from the legalization of sports gaming, though both branches have now passed legislation allowing for it.

The SWM does not propose any other new policy initiatives that would generate non-tax revenue, but does make important assumptions for large revenue sources:

- ***Enhanced MassHealth reimbursements*** (+\$250 million more than Governor’s budget; level with the House budget) SWM includes \$250 million in enhanced federal Medicaid reimbursements based on the likely extension of the federal Public Health Emergency.⁴
- ***Child care development block grant revenue*** (+\$49.1M more than Governor and House) SWM uses \$49.1 million of the state’s \$194 million American Rescue Plan (ARPA) child care block grant award to support additional early education investments in the budget.
- ***Lottery*** (essentially level with Governor and \$30 million lower than House) – SWM assumes \$1.16 billion in lottery profits in FY 2023, \$4 more than FY 2022. In recent months, lottery collections have flattened, and are currently on pace to meet or fall slightly behind FY 2021 levels.⁵
- ***Gaming*** (level with Governor and House budgets) – Gaming revenue estimates in all three budget proposals to date appear conservative. SWM assumes \$181.3 in gaming revenues in FY 2023, which would likely represent a decline from FY 2022 collections, despite collections having grown by more than 30 percent over FY 2021 through March.

Ongoing v. One-time revenues

Other than temporarily enhanced Medicaid and the use of ARPA child care block grant funds, the SWM budget includes no new one-time revenues to balance the budget and dedicates \$907.7 million in volatile revenue to the Stabilization and other reserves. The final FY 2023 budget will be free of major one-time revenue sources, thanks to ongoing revenues available.

Policymakers must still decide how to best use significant one-time federal ARPA funds that must be expended over the next several years. The Governor’s recent Economic Development bill uses

⁴ In addition to \$250 million in enhance reimbursement through MassHealth, the state will collect an additional \$36.7 million in other health and human service revenue due to the PHE extension.

⁵ These totals do not include \$30 million in projected lottery revenue related to legalization of debit card sales, discussed above.

these remaining funds on a variety of one-time uses. The Legislature will decide how to use these funds in a process separate from the operating budget

Key Spending Areas

The SWM budget increases line-item spending by \$465.8 million (0.9 percent) over the current FY 2022 budget. This is \$70.1 million more than the final House budget and \$1.6 billion more than Governor Baker’s spending proposal.

SWM Line-item Spending Compared

	FY 2022 Current	FY 2023 Gov.	FY 2023 House	FY 2023 SWM	SWM v. GOV	SWM v. House
MassHealth	\$19,299.7	\$18,160.2	\$18,797.3	\$18,905.6	\$745.4	\$108.4
Other Line-items	\$30,063.7	\$30,071.2	\$30,961.8	\$30,923.6	\$852.4	-\$38.2
Total line-item	\$49,363.4	\$48,231.4	\$49,759.1	\$49,829.2	\$1,597.8	\$70.2

SWM adds \$852.4 million in non-MassHealth spending to its budget compared to Governor Baker. This is \$38.2 million less than new non-MassHealth spending in the final House budget, but that difference is certain to be reduced or eliminated after the Senate adds additional spending during debate. New policy initiatives and program expansions, described in the remainder of the Bulletin, comprise much of the new spending, but inflationary pressures are having an effect on budget spending as well. SWM spending on 20 personnel and administration accounts increases by 8.6 percent over FY 2022, quite close to the 8.5 percent increase in consumer prices reported last month.

MassHealth & Health Care

The SWM devotes 37.9 percent of all line-item spending, or \$18.9 billion, to MassHealth. Total MassHealth spending surpasses Governor Baker’s budget by close to \$750 million due to updated enrollment assumptions and increased investments in elder care. Because of the continuation of enhanced Medicaid revenues related to the PHE, as well as standard reimbursement generated by new spending, the net cost of the MassHealth program is just \$18 million more in the SWM budget compared to the Governor’s budget.

MassHealth Spending and Federal Reimbursement in FY 2023

	FY 2022 Current	FY 2023 Gov.	FY 2023 House	FY 2023 SWM
Standard Fed. Reimbursement	\$10,573.0	\$9,972.0	\$10,427.6	\$10,449.6
Enhanced Fed. Reimbursement	\$1,000.0	\$0.0	\$250.0	\$250.0
<i>% of Total Spending</i>	<i>60.0%</i>	<i>54.9%</i>	<i>56.8%</i>	<i>56.6%</i>
State Share	\$7,726.7	\$8,188.2	\$8,119.7	\$8,206.0
Total MassHealth Spending	\$19,299.7	\$18,160.2	\$18,797.3	\$18,905.6

\$ in millions

The SWM budget includes two notable healthcare proposals from the House budget, but revises each:

- SWM includes \$75 million for additional nursing home rates, with \$56.25 million set aside for staffing rates and \$18.75 million for supplemental quality improvement payments. The House budget included \$40 million for add-on rates, which were not part of the Governor’s budget;
- SWM includes \$25.4 million to pay for an expansion of the state’s Medicare Savings program to 225 percent of the federal poverty level (FPL – proposed in section 31).⁶ This approach falls in between the Governor, who proposed expanding the program to 200 percent of FPL, and the House proposal to expand to 250 percent.

SWM adopts the House’s small adjustments to the Administration’s proposal to revise the state’s existing hospital assessment.⁷ For further details, see pages 7 and 8 of [MTF’s summary of the HWM budget](#).

Other healthcare-related proposals in the SWM budget:

- *Supplemental MassHealth rebates* (section 30) –SWM mirrors the Governor’s budget by empowering EOHHS to negotiate supplemental rebates for medical device and other MassHealth purchases not currently eligible for the state’s supplemental drug rebate program. The House did not include this section;
- *Substance Use Trust Fund* (sections 16 and 53) – SWM authorizes increased spending levels for the existing Substance Use Trust Fund related to the state’s Medicaid waiver, to be consistent with expected levels of revenue dedicated to the fund.

SWM did not include a House pilot program to expand income eligibility for premium subsidies through the Health Connector, nor did it adopt the \$33.7 million increase in annual insurer assessments proposed by the Governor to support several behavioral health initiatives. The COVID recovery bill, enacted in December, included \$400 million for a variety of new behavioral health programs.

Chapter 70 & Unrestricted Local Aid

SWM proposes \$5.99 billion in direct aid to school districts (Chapter 70 aid) and \$1.23 billion in unrestricted aid to cities and towns (UGGA).

⁶ The \$25.4M reflects the cost to expand from the 200% proposal in the Governor’s budget.

⁷ The only material between SWM and House versions are: SWM (like the Admin.) does not include House section 11 (which is technical); and SWM expands a reference governing how EOHHS is to expend funds in the Hospital Investment & Performance Trust Fund (also appears technical).

Chapter 70 and Unrestricted Local Aid in FY 2023

Program	FY 2022 Current	FY 2023 Gov	FY 2023 House	FY 2023 SWM
K-12 State Aid	\$5,503.27	\$5,988.52	\$5,998.21	\$5,998.21
<i>\$ Increase</i>	\$219.62	\$485.25	\$494.94	\$494.94
<i>% Increase</i>	4.2%	8.8%	9.0%	9.0%
Local Aid	\$1,168.12	\$1,199.66	\$1,199.66	\$1,231.20
<i>\$ Increase</i>	\$39.50	\$31.54	\$31.54	\$63.08
<i>% Increase</i>	3.5%	2.7%	2.7%	5.4%

\$ in millions

SWM matches the House by providing \$494.9 million in additional K-12 student aid. Assuming this is included in the final budget, it will be the largest year-over-year K-12 formula increase by more than \$200 million. The House and Senate budgets fully implement the second year of the Student Opportunity Act (SOA), and also guarantee at least \$60 per-pupil in new aid for all districts. The Governor’s budget also fully implemented the SOA, which includes a guarantee of \$30 per-pupil minimum aid.

SWM includes all minimum aid within the primary K-12 formula aid line-item, while the House separated some of the minimum aid into a different item. This difference in structure has no effect in FY 2023, but the House approach could affect how a district’s base state aid is determined in next year’s budget.

SWM increases unrestricted local aid by more than either the House or the Governor, who both stuck to the local aid funding approach adopted when Governor Baker took office in 2015. This approach boosts local aid by the level of tax revenue growth assumed in the consensus tax agreement (2.7 percent for FY2023). SWM doubles this growth rate to 5.4 percent, increasing total aid by \$63.1 million in total.

As MTF and municipal leaders have pointed out in recent months, the large difference between revenue projections and actual collections over the last two years has prevented local aid from benefitting from strong state revenue growth. SWM does not propose using a different tax growth comparison to determine local aid, electing instead to simply double the consensus revenue tax growth rate to provide additional resources to cities and towns.

Other K-12 Spending

SWM provides \$900.1 million for K-12 funding programs related to special education, transportation, and charter school attendance. This is an increase of \$158.1 million (25.1 percent) over the FY 2022 budget and \$48.2 million higher than the Governor’s proposal. SWM falls \$112.8 million short of House funding because they do not adopt the House’s approach to school nutrition funding.

Major K-12 Programs in FY 2023

Program	FY 2022 Current	FY 2022 Reimb. %	FY 2023 Gov	FY 2023 House	FY 2023 SWM
Special Education Reimbursements	\$373.3	75%	\$414.6	\$441.0	\$435.0
Charter School Reimbursement	\$154.6	87%	\$219.4	\$243.8	\$243.8
Regional School Transportation	\$82.2	95%	\$77.8	\$77.8	\$82.2
Non-Resident Pupil Transportation	\$0.3	6%	\$0.3	\$0.0	\$0.3
Homeless Student Transportation	\$14.4	70%	\$23.0	\$23.0	\$21.5
School Nutrition	\$4.9	NA	\$4.6	\$115.0	\$5.0
Total	\$629.7		\$739.6	\$900.6	\$787.8

\$ in Millions

Major education reimbursement programs include:

- **Charter school reimbursements** – the SOA required the state to meet its charter reimbursement obligation by FY 2023, but that process was delayed by one year due to the pandemic. Like the House, SWM adds \$24.4 million to the appropriation proposed by the Governor to get the funding schedule back on track and fully fund the state’s commitment this year. The Governor’s budget funded 90 percent of the total obligation, consistent with the one-year delay. SWM (section 26) also includes a proposal to statutorily increase charter school facilities aid, and associated reimbursement, to \$1,088 per student (from the current level of \$893 per student).
- **Special education reimbursements** – SWM fully funds estimated instruction reimbursements for special education, while also covering 75 percent of out-of-district special education transportation costs. The SOA added these transportation costs to the reimbursement program and put the state on a four-year timeline to fully fund, but that timeline was delayed in FY 2021. SWM and the House put the state back on track to meet the original funding schedule, to be completed next year. The difference in the House and SWM appropriation is due to a change in how extraordinary costs are treated as well as additional earmark funds included in the House version.
- **Regional school transportation** – SWM boosts regional school transportation reimbursements by \$4.4 million over the Administration House levels. The SWM appropriation will cover approximately 85 percent of eligible costs.
- **School nutrition** – SWM does not include funding to pick up the cost of universal school meals for K-12 students. The federal government has temporarily funded universal school meals during the pandemic, but that support is set to expire at the end of this school year. The House budget provides \$110 million to maintain universal school meals for K-12 students.

Early Childhood Education

The SWM budget provides just over \$1.1 billion in funding for early childhood education programs, an increase of \$310 million over FY 2022 budget spending and \$217 million over the House FY 2023 budget.

Early Education Spending in FY 2023

Program	FY 2022 Current	FY 2023 Gov	FY 2023 House	FY 2023 SWM
Stabilization Grants (C3)	n/a	\$0	\$0	\$250.00
Infrastructure & Policy Reform	n/a	n/a	n/a	\$25.00
Income Eligible Subsidies	\$298.70	\$368.10	\$368.10	\$368.10
DTA and DCF Childcare	\$358.90	\$325.50	\$325.50	\$325.50
Reimbursement Rate Increase	\$20.00	\$0.00	\$70.00	\$25.00
Provider Professional Development / Higher Ed	\$5.00	\$0.00	\$10.00	\$0.00
Head Start Programs	\$15.00	\$15.00	\$16.50	\$16.50
Other Early Education	121.5	\$111.60	\$121.90	\$118.50
Total	\$819.10	\$820.30	\$912.20	\$1,128.70
\$ in Millions				

The SWM budget provides roughly \$300 million in additional investments for early childhood education when compared to the Governor’s proposal. The majority of this increase is dedicated to two new proposals that extend stabilization grants for providers (C3 grants) and address infrastructure and policy improvements. SWM also includes funds to increase reimbursement rates for providers that accept subsidy families. All three proposals address recommendations put forth by the Early Education and Economic Review Commission.

The SWM budget includes \$250 million for C3 grants. SWM does not include any additional language that would change the program structure or eligibility. Given current spending trends, this funding level indicates the program will likely be extended an additional six months through December 2022 and is in line with the recommendation from the Commission. These grants, which were created with ARPA funds, are currently slated to expire at the end of FY 2022. Governor Baker proposed spending \$450 million in an FY 2022 supplemental budget to extend the grants for all of FY 2023, but his proposal was not adopted.

The SWM budget includes a new line-item for early education infrastructure and policy reforms and dedicates \$25 million for these purposes. These additional funds are made up of three earmarks and appear to be related to the Commission’s recommendations on family affordability and access as well as workforce compensation. At least \$5 million of the total is for Child Care Resource and Referral agencies to provide additional support and outreach to families. This line-item also includes \$10 million for financial assistance for early childhood educators who work at programs serving a high percentage of families with subsidized child care.⁸ The remaining \$10 million is earmarked to review current subsidy regulations and policies. Lastly, the item directs the EEC to expend these funds to evaluate an improved funding model for child care sustainability and quality.

The SWM budget allocates \$25 million to increase child care subsidy reimbursement rates. Current reimbursement rates are well below the market rate and not enough to cover the cost of care. The Commission recommended a \$100 million - \$200 million investment to increase rates closer to the

⁸ This differs slightly from the House budget which also includes \$10 million for child care workers, but stipulates the funds be used for grants for their personal child care instead.

75th percentile of the market rate. The SWM rate increase is \$45 million less than the House budget and well short of the Commission’s recommendation.

Other notable items in the SWM budget include:

- *Dept. of Early Education and Care (EEC) Administration Costs* – SWM proposes \$6.6 million for EEC administration, a decrease of \$5 million over the House. However, the decrease is due to a House earmark for navigational support which SWM funds in a different item;
- *Preschool Partnership Expansion* – SWM allocates \$15 million for planning and implementation grants for localities to expand preschool programs across the state. This is a \$5 million increase over the House budget;
- *Provider Higher Education* – Similar to the Governor’s proposal, the SWM budget does not include funding for provider higher education opportunities. The House budget allocates \$10 million for these purposes;
- *Income Eligible and DTA/DCF Child Care* – SWM includes language to base subsidy reimbursements off of enrollment instead of attendance in both the income eligible and DTA/DCF child care line items. The House includes this language in the EEC administration item.

Higher Education

SWM funds higher education at \$1.55 billion, with \$1.33 billion in direct support for public higher education campuses and a further \$223.8 million in funding for scholarships, student assistance, and other programs. In total, this represents an increase of \$167.8 million (12.1 percent) over FY 2022, but this increase is somewhat misleading as a portion is related to collective bargaining costs that are funded through a separate area of the budget in the current year. SWM adds \$105.8 million in spending to Governor’s proposal and \$1.5 million compared to the House budget.

Higher Education Spending in FY 2023

Program	FY 2022 Current	FY 2023 Gov	FY 2023 House	FY 2023 SWM
Community Colleges	\$333.3	\$341.3	\$348.4	\$348.2
State Universities	\$298.4	\$319.9	\$323.2	\$327.0
UMass	\$574.9	\$586.5	\$653.5	\$652.0
Scholarship Programs	\$141.3	\$164.5	\$166.8	\$185.8
Other Higher Education	\$35.5	\$33.1	\$57.7	\$38.1
Total	\$1,383.3	\$1,445.4	\$1,549.7	\$1,551.2

\$ in Millions

SWM matches the House in total funding for the UMass system, which includes collective bargaining costs, a one-percent base funding increase as well as additional funding to meet inflationary pressure.⁹ For state universities and community colleges, SWM takes a page from

⁹ The difference between House and SWM UMass funding in the Higher Education table is due to funding differences for several smaller centers housed at UMass,

both the House and Administration approaches by matching the House’s campus level appropriations (after adjusting for earmarks), while also including \$18.5 million in separate formula funding accounts, as proposed by the Administration.

SWM does not include \$20 million in endowment matching funds, proposed in House budget. This program provides a dollar-for-dollar match to incent donations to public higher education campuses. SWM also falls \$3.5 million short of the total funding level proposed by both the Administration and House for the Community College SUCCESS Fund.

SWM spends \$185.8 million on scholarship programs, an increase of \$44.5 million (31.5 percent) over FY 2022, \$21.3 million higher than the Governor and \$19 million higher than the House. Specific scholarship investments include:

- \$35.7 million in new funding for MASSGrant and MASSGrant plus, which provides needs-based financial aid to Massachusetts residents attending a public or private college. The House provided \$18.2 million for MASSGrant;
- \$22 million for the state’s Gilbert Grant program, which provides financial aid to students pursuing nursing degrees (level with the House);
- \$5 million for early educator scholarships, compared to \$3.6 million in the House budget.

Finally, SWM provides \$19 million to expand Early College and dual enrollment programs that enroll high school students in credit-bearing college courses. This is level with the House budget and slightly more than the \$18.3 proposed by the Governor. These programs, which have a strong track record of success, will spend \$11 million in FY 2022.

Transportation

The MBTA, MassDOT, and Regional Transit Authorities (RTAs) receive \$2.07 billion in the SWM budget, an increase of \$71.9 million over FY 2022, essentially level with the Governor’s budget and \$61 million more than the House.

Transportation Spending in FY 2023

	FY 2022 Current	FY 2023 Gov	FY 2023 House	FY 2023 SWM
Transfer to MassDOT	\$403.0	\$455.9	\$394.7	\$453.3
Transfer to MBTA	\$127.1	\$187.0	\$187.1	\$187.0
Transfer to RTAs	\$94.0	\$94.0	\$94.0	\$96.5
MBTA Sales Tax Transfer*	\$1,266.0	\$1,325.1	\$1,325.1	\$1,325.1
Other Transportation	\$111.3	\$11.6	\$11.6	\$11.6
Total	\$2,001.5	\$2,073.6	\$2,012.4	\$2,073.4

*\$ in millions/*FY 2022 GAA figure reflects January sales tax revenue upgrade*

The three FY 2023 budgets fund the MBTA at the same level: projecting the sales tax transfer to the MBTA to grow by \$59.1 million over FY 2022 and transferring \$60 million in MBTA funding from the capital to the operating budget. When FY 2023 tax estimates are revised upward, the MBTA share of the sales tax will also grow.

Unlike the House, SWM fully funds the Administration’s proposal for MassDOT to cover expected maintenance, meet expected snow and ice removal obligations, and cover personnel and planning costs related to the federal Bipartisan Infrastructure Law. SWM also adds \$2.5 million in funding for regional transit authorities to support reduced fare pilot programs.

The reduction in “other transportation” spending by \$100 million in the figure above reflects the winter road repair funding in a recent FY 2022 supplemental budget.

Other spending of note

- ***New spending initiatives*** –In addition to the \$25 million for early education investments discussed earlier in the Bulletin, other notable new spending includes:
 - ***Public higher education mental health*** – SWM provides \$4 million to state universities and community colleges to improve mental health services for students;
 - ***Reproductive health services*** – this budget includes \$2 million for grants to improve access, infrastructure, and security for reproductive health providers around the state;
 - ***Genocide education*** – SWM appropriates \$1.5 million to the Genocide Education Trust Fund, which was created through legislation last year. The trust fund provides grants to improve curriculum and instruction related to genocide education.
- ***Low-income supports*** – the SWM budget includes \$44.9 million to increase assistance to low-income families and historically marginalized communities:
 - ***Low-income family benefits*** – SWM uses \$13.9 million to increase by 10 percent beginning in April of 2023 the cash assistance benefits for low-income families and \$3 million to increase the annual clothing allowance. This is the second year SWM has increased these benefits.
 - ***Community empowerment grants*** – SWM appropriates \$20 million for grants to communities of historically underrepresented groups that are disproportionately impacted by the criminal justice system and have a large low-income population. This is the third year of these grants, first proposed by the Senate, which can be used in a number of ways, including job training programs, after school supports, and housing stabilization services;
 - ***Community foundation grants*** – this budget includes \$7.5 million for grants to community foundations to assist families disproportionately affected by the pandemic and with limited access to federal pandemic-relief benefits.
- ***Behavioral health*** – SWM transfers \$20 million to the Behavioral Health Outreach, Access and Support Trust Fund, which the Senate created in 2019. Funds from the trust fund are then used to support mental health telehealth services for children, social and emotional grants for public schools and public higher education institutions.
- ***Housing*** – SWM increases housing funding by \$120.6 million over the FY 2022 budget. This is \$111 million more than the Governor, but \$15.1 million less than the House. Notable housing investments include:

- **Residential Assistance for Families in Transition (RAFT)** – SWM provides \$150 million for RAFT, which provides housing support and stabilization services to housing insecure families. This funding level is \$10 million higher than the House and \$70 million higher than the Administration. Combined with a recent \$100 million supplemental appropriation, the FY 2023 RAFT funding level will help mitigate the loss of federal eviction diversion funds;
- **Massachusetts Rental Voucher Program (MRVP)** – SWM provides \$154.3 million for MRVP and also increase the value of vouchers to up to 110 percent of fair market rent beginning in January of 2023.
- **Workforce** – the SWM budget falls in between the Governor and the House in funding for workforce development programs. This budget includes \$195.3 million for 24 workforce items, \$31.1 million more than Governor Baker, but \$66.4 million less than the House. Much of the difference with the House is because SWM does not include \$40 million in rate increases for eldercare workers. Notable workforce investments in the SWM budget include:
 - **Adult Basic Education** – SWM includes \$55 million for a variety of adult learning programs run by the Department of Elementary and Secondary Education. The SWM funding level, which is \$5 million lower than the House, but \$5 million higher than the Governor;
 - **Career technical institutes (CTI)** – CTI funds the use of vocational school facilities to offer off-hour training programs for fast-growing trades. SWM provides \$15.4 for CTI, level with the Governor, but \$5 million less than the House;
 - **Summer Jobs for At-Risk Youth** – SWM provides \$24 million for this program which supports internships, summer and year-round employment for historically underserved youth. The House funds this item at \$28.3 million, compared to \$16.3 million in the Governor’s budget;
 - **Workforce Competitiveness Trust Fund (WFCTF)** – this trust fund provides training grants for several different programs, many of which have been expanded since the start of the pandemic. SWM provides a transfer of \$17 million, level with the House and the FY 2022 budget and an increase of \$10 million compared to the Governor.
- **Energy and environment** – SWM provides \$358.1 million for energy and environment departments, an increase of \$32.7 million over FY 2022; \$20.9 million more than the Governor; and \$5.1 million more than the House.
- **Police reform implementation** – Each FY 2023 budget provides \$5 million to operate the Police Officer Standards & Training Commission, while a further \$600,000 funds four Commissions also created in recent police reform legislation:
 - The Commission on the Status of African Americans;
 - The Commission on the Status of Latinos and Latinas;
 - The Commission on the States of Persons with Disabilities; and
 - The Commission on the Social Status of Black Men and Black Boys.

- ***Non-discretionary spending*** – SWM includes \$9 billion for debt service, health care costs for current and retired public employees, and transfers to the state’s retiree benefits trust fund.
 - SWM does not include a \$250 million supplemental pension fund transfer proposed by the Governor;
 - Debt service costs grow by just over 2 percent to \$2.8 billion (level with the Governor and House);
 - Health care costs for public employees and retirees grow by just over 5 percent to \$1.9 billion (level with the Governor and House).
- ***Commonly underfunded accounts*** – the SWM budget does a good job of appropriately funding historically underfunded accounts, meeting the Administration’s full-funding estimate in funding areas including indigent defense, houses of correction, legal settlement costs and family homeless shelters.
 - SWM, like the Administration and House, increases salaries for public counsel staff.

Stabilization Fund

The Stabilization Fund balance at the end of FY 2022 is projected to be \$5.9 billion and SWM anticipates \$854.4 million in additional deposits over the course of FY 2023. The \$6.7 billion end of FY 2023 balance estimated by SWM is equal to 13.5 percent of SWM line-item spending and represent growth of more than 400 percent since the start of the Baker Administration.

FY 2022 and FY 2023 Stabilization Fund Estimates

FY 2022 Starting Balance	\$4,626.0		
<i>Planned Deposits</i>	\$1,260.8		
FY 2022 Ending Balance	\$5,887.2		
	Gov.	House	SWM
<i>FY 2023 Capital Gains Deposits</i>	\$681.0	\$786.0	\$786.0
<i>FY 2023 Other Deposits</i>	\$68.4	\$33.7	\$68.4
<i>FY 2023 Withdrawal</i>	\$0.0	\$0.0	\$0.0
Assumed FY 2023 Ending Balance	\$6,636.6	\$6,706.9	\$6,741.60

\$ in Millions

The \$actual end of FY 2022 balance will likely be much higher than \$5.9 billion due to more than \$4 billion in unanticipated tax revenue over the latest FY 2022 tax collection estimates. More than 70 percent of that growth is from non-withheld income, which includes capital gains collections that will be directly deposited into the Stabilization Fund and other reserves.

Policy Sections

The SWM budget includes 75 policy sections, of which 55 are the same or similar to policies proposed in either or both the Administration or House budgets.

SWM Policy Section Summary

FY 2023 SWM	Shared with Gov	Shared with House	FY 2022 SWM Sections
75	56	48	60

Policy sections related to revenue, health care, and education have been highlighted earlier in the Bulletin. Other notable policy sections include:

- ***Taxability of student loan forgiveness*** (sections 23 & 75) – the SWM budget proposes excluding student loan forgiveness dollars from taxable income. Under the proposal, effective for tax year 2022, income attributable to the discharge of public or private education loans would be deducted from a filer’s gross income. SWM does not project a cost for this change in FY 2023.
- ***Public higher education inclusive enrollment*** (sections 11-14, 19, 27, 28, 70, 71) – this budget includes a number of sections requiring public higher education campuses to create inclusive enrollment programs to enable students with significant disabilities to participate in college life and courses as non-matriculated students. The sections define elements of inclusive enrollment programs and establish a trust fund to support services for inclusive enrollment students. The Senate has passed legislation on this topic previously.
- ***Group insurance commission coverage*** (section 72) – SWM requires GIC to offer health insurance coverage to new state employees beginning the first full month of employment. Currently, many state employees have to wait 90 days for GIC coverage.
- ***Enhanced notice to quit*** (section 42) – SWM makes permanent the notice to quit information requirements put in place during the pandemic. Notices to quit notify renters that their tenancy will be terminated on a specific date. Under this proposal, the notice to quit would be accompanied by documentation on rent repayment requirements, information on rental assistance programs, as well as relevant state and federal rules and guidelines related to eviction.
- ***Emergency Aid for Families with Dependent Children Asset Limit*** (section 29) – this section, which the House adopted as a budget amendment, defines an EAEDC asset limit for those residing in rest homes. Last year’s budget eliminated asset limits for EAEDC.
- ***Elimination of probation and parole surcharges*** (section 47 & 49) – these sections, included in the Administration and House budgets, would eliminate monthly supervision fees (typically \$45-60) for individuals on probation and parole.
- ***Children & family legal representation trust fund*** (section 46) – this section establishes a trust fund, administered by CPCS, which can receive state and federal funds (including federal reimbursements for representation of eligible families), and will be used to improve advocacy, training, data collection, and representation at the agency.
- ***Correctional facility reporting*** (sections 41 & 48) – these sections require the Department of Corrections, in conjunction with sheriff’s departments, to report biannually on a variety of metrics related to the use and physical plant of correctional buildings. The budget also

eliminates a 1985 provision that allowed DOC flexibility in facility construction and use to mitigate overcrowding.

Bottom Line

The SWM budget, like the House, foregoes inclusion of Governor Baker's \$741 million tax proposal and instead proposes more than \$800 million in new programmatic investments. The SWM budget wisely extends child care C3 grants through the end of the fiscal year, and provides large funding increases to nursing homes, K-12 and higher education, and makes investments in low-income families and historically marginalized communities.

During the upcoming floor debate, the Senate is likely to add about \$100 million in new spending, largely in the form of local earmarks, similar to what the House did. This will set up a conference committee with two similarly structured budgets, but two budgets which also differ significantly in many spending choices.

However, as with last year's budget, the real question over the coming weeks is how the unprecedented revenue growth in FY 2022 will affect revenue assumptions for FY 2023. The current tax revenue estimate used in the House and SWM budgets is no longer operative – we are on pace to collect \$3.3 billion more in FY 2022 than the current consensus tax estimate for FY 2023. The scope of that upgrade will support new investments, but must include balanced tax relief that helps the most vulnerable while positioning Massachusetts for economic growth by addressing policies, such as the estate tax, that make us an outlier.