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August 18, 2021

To the Honorable Senate and House of Representatives:

I am filing for your consideration a bill entitled "An Act Making Appropriations for Fiscal Year 2021 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects."

In an extraordinary fiscal year, the Commonwealth's operating budget ran a remarkable surplus. Federal fiscal and monetary stimulus flowed into households, governments, nonprofits, and businesses. The financial markets rose and, as a result, Massachusetts tax collections exceeded fiscal year 2021 (FY21) projections by \$5 billion. The Stabilization Fund balance now stands at \$4.63 billion, an all-time high. \$1.1 billion of the surplus came from excess capital gains taxes, which by statute were transferred to the Stabilization Fund and other long-term liability funds in June and July. Another \$1.1 billion obviated the need for a previously budgeted draw from the Stabilization Fund to pay for FY21 operating expenses. Approximately \$173 million in surplus sales tax was transferred to the MBTA and the Massachusetts School Building Authority. Even after these adjustments, the Commonwealth enjoys a healthy surplus.

The fiscal year was, of course, extraordinary in other ways. COVID-19 deeply disrupted daily life, and across the Commonwealth, households, businesses, and nonprofit entities are still recovering from the impacts of the pandemic. In Massachusetts as well as nationally, unemployment remains above pre-pandemic levels and employers struggle to reopen and return to normal operations. The American Rescue Plan Act (ARPA) represents an opportunity to address some longstanding issues laid bare by COVID, and I continue to urge you to move forward quickly with the release of money for housing, workforce, environmental, and other critical needs.

The bill I propose today would dedicate \$1 billion of the Commonwealth's FY21 surplus to address the continued strain on the Unemployment Insurance (UI) Trust Fund. This transfer will reduce the need to borrow funds for COVID-era claims, and thereby reduce the need for future employer assessments. Throughout the pandemic, the Legislature and the Administration

have worked closely to respond to the unprecedented experience of employers and workers as we navigate through an unfamiliar economic environment, and we hope to continue to do so through the expenditure of these funds.

In addition to the \$1 billion UI transfer, this bill proposes \$568 million in supplemental appropriations. These appropriations address critical needs, such as housing insecurity and the increased demand for human services. These recommendations are:

- \$405 million for a collective bargaining reserve to fund the retroactive and fiscal year 2022 (FY22) costs of agreements that are either in place or anticipated but not yet signed, thus mitigating any pressure on the FY22 budget;
- \$40 million for other anticipated payroll costs that are not yet budgeted in FY22;
- \$39 million for chapter 257 contracts, to support rate increases for the human service workforce, whose efforts during COVID were inspiring;
- \$25 million for sheriff deficiencies, plus \$7 million for an addiction program in Hampden County;
- \$20 million to support the workforce in chapter 766 approved special education schools;
- \$17 million to support an additional 800 temporary individual shelter beds throughout FY22, and to pay for a one-time six-month 10% increase in provider rates, ensuring the Commonwealth's individual shelter system has the resources necessary to protect vulnerable populations;
- \$5 million to pilot an evidence-based permanent supportive housing model for individuals experiencing homelessness, creating fast and sustainable pathways out of homelessness;
- \$5 million for legal settlements and judgments;
- \$3 million in supplemental campus support for Quinsigamond Community College and Worcester State University as they absorb the nursing students displaced when Becker College closed; and,
- \$2 million for other necessary costs.

Additionally, I am renewing my request for other funding filed in legislation still pending before the Legislature:

- \$1.6 million for organizational transformation, primarily to maintain and improve government services with a workforce that may not be in traditional office spaces;
- \$1.3 million for National Guard costs.

I further recommend continuing \$178 million in existing FY21 authorizations into FY22. Generally, these "prior authorization continued" or "PAC" recommendations account for delays in incurring costs that were anticipated in the development of the FY21 budget, but now appear likely to occur in FY22. This amount includes \$60 million in public employee and retiree health

care costs at the Group Insurance Commission, where claims costs have reflected the deferral of nonurgent care during the pandemic.

Moreover, I am recommending several policy changes.

Along with the UI Trust Fund transfer, several proposals in this bill will lighten the load on employers as we emerge from the COVID era. I propose to make federal Paycheck Protection Program (PPP) loans, Economic Injury Disaster Loan (EIDL) advances, Shuttered Venue Operators grants, Restaurant Revitalization Fund grants, and state MGCC grants nontaxable for all recipients, in line with federal tax treatment.

As a boost to the nonprofit sector, I recommend the implementation of the income tax charitable deduction next January. The Commonwealth can afford it and the combination of strong state revenues and serious needs facing non-profits and charitable organizations necessitate this tax deduction's implementation.

I recommend, as I have before, that MassHealth be authorized to directly negotiate rebate agreements for certain medical supplies and other non-drug products.

I recommend that survivors of service members who die in training incidents be eligible for a Medal of Liberty. At present this award recognizes those who die in the line of duty in a designated combat zone, or as a result of wounds received in action.

I recommend changes for better management of public land and environmental resources. One section would reduce risks to sea turtles by ending the "single traps" requirement for lobstering in the waters around Gosnold. A section would extend the municipal vulnerability preparedness grant program to tribes and other regional and local entities who are not municipalities.

A few sections would improve the efficiency of government operations. I recommend changes to the frequency of civil service evaluations and expanded authorization to use electronic forms and signatures. Another section, a refile, would allow for the extension of emergency appointments of firefighters in narrowly defined circumstances. Edits to the Technical Rescue Services Fund would improve its governance, while changes to red light permits for vehicles would better serve public safety needs.

Some sections make budget adjustments. I recommend that \$10 million each be set aside from the Consolidated Net Surplus for the Massachusetts Life Sciences Center and the Community Preservation Trust Fund. A section would restore the recently reduced \$35 cap on background check fees charged by Early Education and Care, to better reflect the actual cost of the service. I recommend allocating all administrative costs of the Commonwealth's SMART plan to the assets of the plan; to date, the Treasurer's Office has funded some of the plan's

oversight. Other sections serve more procedural needs, such as the ratification of certain collectively bargained labor agreements.

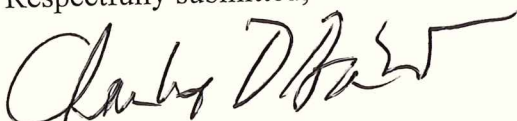
I also take this opportunity to ask that you act on a number of previously filed matters that remain pending before the Legislature, including:

- Authorization for the Department of Public Health to assess the operators of nuclear reactors that are in the process of being decommissioned for associated radiation monitoring and emergency planning costs;
- Authorization for Massachusetts' entry into the Interstate Medical Licensure Compact, to allow duly licensed physicians from other participating states to practice medicine in this state;
- Elimination of obsolete statutory provisions that prevent the Board of Registration in Nursing from issuing licenses based on reciprocity to otherwise qualified applicants with a Canadian nursing license; and,
- Alignment of the Department of Public Health's clinical laboratories statute with federal testing classifications.

Sufficient revenues are estimated to be available to finance the appropriations and other measures proposed in this legislation. I urge you to enact this legislation promptly to facilitate the closing of the books for fiscal year 2021.

I continue to be grateful for the Legislature's partnership as we govern together during these challenging times. I look forward to seizing the opportunities that lie ahead of us.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Charles D. Baker", with a stylized flourish extending from the end.

Charles D. Baker
Governor