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September 11, 2024

To the Honorable Senate and House of Representatives:

I am filing for your consideration a bill entitled *An Act Making Appropriations for Fiscal Year 2024 (FY24) to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects*.

The proposal filed today would allocate \$714.1 million gross / \$149.1 million net toward FY24 deficiencies and critical needs and enable the Commonwealth to close the books on the fiscal year that ended on July 1.

Our administration is also proposing here ways to rebuild our reserves through the replenishment of the Transitional Escrow Fund and continued deposits in the Stabilization Account that will ensure Massachusetts remains on solid financial footing and has the resources on hand to manage through the current fiscal year and beyond.

In total, this legislation proposes to appropriate \$679 million toward deficiencies incurred over the course of the prior fiscal, the largest of which can be found in our MassHealth program where caseload exceeded initial expectations. This budget recommends \$565.4 million gross for MassHealth at a net new cost of zero dollars to the state thanks to the availability of federal reimbursement to cover payments for services already provided over the course of Fiscal Year 2024.

This budget would also allocate:

- \$46 million for a reserve to cover costs accrued by sheriffs
- \$14 million to support treatment for substance and alcohol use disorder
- \$8.7 million for Universal School Meals
- \$7.3 million for Residential Assistance to Families in Transition (RAFT)
- \$5.1 million for support to public health hospitals
- \$1.3 million for Department of Unemployment Assistance caseload
- \$690,000 for the Chief Medical Examiner
- \$622,000 for the Massachusetts Emergency Management Agency for state match to flood victims
- \$200,000 for National Guard death gratuity benefits and support for military suicide prevention programming

Our administration is also recommending \$33.9 million in new spending to advance key priorities and cover critical needs for our state, including the seeding of the new Disaster Relief and Resiliency Fund and additional funding for mosquito spraying to address the rise in detected Eastern Equine Encephalitis. This bill would put \$11 million toward the Disaster Relief and Resiliency Fund to immediately make resources available in the event they should be needed to support communities before the end of the fiscal year. This would complement the \$14 million in consolidated net surplus earmarked for the fund, but unavailable until the end of fiscal year 2025.

We are also recommending:

- \$11 million to municipalities to increase FY25 tax abatement reimbursements
- \$10 million for the Massachusetts Clean Energy Center to keep funding level in FY25 at \$30 million and on track for a \$300 million investment over the next 10 years to keep pace with our climate and job creation goals
- \$10 million for the Massachusetts Life Sciences Center
- \$2.5 million for iLottery start-up and implementation costs over two years
- \$400,000 for aerial and mobile mosquito spraying to address Eastern Equine Encephalitis

As we know, FY24 presented some budgetary challenges that required a mid-year revision to our revenue estimates and emergency budget reductions to ensure that we would be able to balance our budget at the end of the year without undoing the hard work that has gone into building up our Stabilization Fund.

In total, FY24 revenue came in at \$40.8 billion, \$967 million above revised benchmarks. This was primarily due to the performance of surtax collections, which at \$2.199 billion exceeded the \$1 billion in budgeted surtax revenue by \$1.2 billion. After adjusting for surtax, FY24 revenues were \$233 million below the FY24 revised benchmark, and \$322 million below FY23 collections.

In order to balance the FY24 budget and prepare for the continuation of economic headwinds in Fiscal Year 2025, our administration is proposing several solutions in this legislation that will allow us to continue to build our reserves and invest in our shared priorities.

First, we are proposing to use \$225 million in surplus surtax collections to support spending currently funded through the General Fund and Commonwealth Transportation Fund. The use of this money would align with the approach already taken by our administration and the Legislature in the FY25 budget and go toward programs such Commonwealth Cares for Children (C3) grants through the replenishment of the EEC Affordability Fund, universal school meals, Early Education and Care provider rates and MassDOT operations. It would also leave a substantial surplus of unappropriated funds that we look forward in the coming session to working with the Legislature to allocate in the most efficient and impactful way.

The Transitional Escrow Fund has also proven to be a valuable tool for the state to manage spending throughout the fiscal year, which is why we are proposing to transfer \$265 million in excess capital gains collections to the fund to begin to rebuild that balance. This would still allow for a separate deposit of \$265 million to the Stabilization Fund to continue to grow both these reserve accounts. Additionally, I've already made clear my intention to use the forthcoming tobacco settlement funds secured by the Attorney General to further build back the balance of the Transitional Escrow Fund. We view these steps to be critical to managing available resources for FY25 and beyond.

An additional \$366.4 million in prior unspent authorizations from Fiscal Year 2024 would be carried over into Fiscal Year 2025 through this legislation. These represent critical funds that, in some cases, must be managed across fiscal years and give us flexibility moving into FY25 to maintain services and programs authorized as part of the FY25 General Appropriations Act. These include \$117.6 million for the MBTA Workforce and Safety Reserve, \$22.8 million for projected expenses at the Department of Correction, and \$12 million for a teacher diversity initiative. Of this total, \$69 million in unspent FY24 surtax appropriations is being made available going into the new fiscal year.

We are also filing several not-yet-ratified collective bargaining agreements and the necessary language to establish the FY25 collective bargaining reserve, which our administration and the Legislature all accounted for in the recently signed FY25 GAA. This will ensure that our union workers have timely access to the raises negotiated in good faith with our administration.

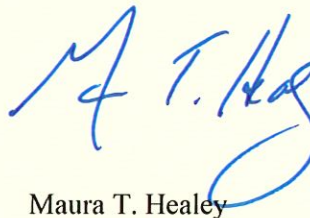
Furthermore, I am filing a number of outside sections that provide for some technical corrections and deadline extensions necessary for the effective implementation of policy enacted in recent legislation. These include sections amending the HERO Act to allow veterans to receive specialty license plates without paying an additional fee, as intended, and granting eligibility to tribes in Massachusetts for the Municipal Vulnerability Preparedness program.

I want to reiterate my support for legislation previously submitted by our administration and encourage senators and representatives to continue to work on reaching a compromise on the MassLeads Act, our bill authorizing funds to be used for federal matching commitments to maximize our ability to compete for and win federal grants, and the mid-year supplemental budget first filed in March. These bills are critical to our economic competitiveness and future growth and we are confident that together we can get these done before the end of the legislative session in December.

In that spirit, I am also submitting for your consideration several essential and timely provisions related to clean energy siting, permitting and procurement that were the subject of debate in the Legislature as part of a climate bill at the close of formal sessions in July. While a final bill has not yet reached my desk, these issues remain before a conference committee and I respectfully ask that you consider advancing these items in the coming weeks so that we can capitalize on the potential to grow our clean energy sector and advance our climate goals.

Sufficient revenues are available to finance the appropriations and other measures proposed in this bill. I urge you to enact this legislation promptly to facilitate the closing of the books for Fiscal Year 2024 and address the other urgent and time sensitive matters described above.

Respectfully Submitted,



Maura T. Healey

Governor