

Joint Committee on Ways and Means – Hearing on Revised Fiscal Year 2021 Budget

October 21st, 2020

Senate Ways and Means Chair Michael Rodrigues kicked off the budget hearing by reminding the public of the where the budget development process currently stands, including previous roundtables, interim budgets, and tax revenues collected. Chair Rodrigues informed all the viewers that only the Governor’s administration would be testifying live, but the general public is encouraged to submit written testimony. He stated that the legislature’s goal was to first ensure the balancing of the FY20 before developing a final FY21 budget. Following the last economic roundtable, it became clear to the Chairs that the legislature needs to ensure transparency during the budget development process over the coming weeks.

House Ways and Means Chair Aaron Michlewitz stated that this budget process has been nothing like the state has ever experienced because of the pandemic’s impacts on society and the State’s tax revenue. The Chair noted that while the first quarter of the FY21 tax revenue has been positive, he assured everyone that the state will remain cautious with the State’s fiscal future.

Secretary of Administration and Finance Michael Heffernan:

- The Governor’s revised FY21 budget (H2) totals \$45.5 billion in spending and is in fact larger than the first FY21 budget proposal, largely due to increased health care costs. Funding directed to MassHealth will reach \$18.261 billion.
- The proposed \$1.35 billion withdrawal from the rainy day is the maximum amount that would be used in FY21 and could be reduced if tax revenues come in higher than expected.
- Revised H2 reaffirms the administration’s commitment to maintaining at least FY20 levels for local aid.
- In addition to meeting the first-year funding requirements that were laid out in the recently passed education reform bill, the proposed budget would also increase funding for schools to operate during the pandemic.

Following Secretary Heffernan’s testimony, the Chairs asked the Secretary questions that were submitted by their fellow legislators.

- Chair Michlewitz asked the Secretary to discuss further the one-time funding pools that are part of the revised budget.
 - One of these is a \$422 million beginning balance for the FY21 budget, which is remaining FEMA funding that the legislature previously authorized.
 - \$834 million will come from an increase in FMAP reimbursements.
 - \$550 million from the Coronavirus Relief Fund will be used to pay for first responder expenses.
 - A maximum withdrawal of \$1.35 billion from the rainy day fund.
- Chair Michlewitz asked how the Governor’s administration came up with the \$1.35 billion withdrawal from the rainy day fund.
 - They attempted to use up all fiscal resources to balance the FY21 budget before determining what the withdrawal would need to be. Further, if tax returns come in above what is projected, the size of the rainy day fund withdrawal will decrease at an equal level.
- Chair Michlewitz asked what the Governor’s administration is looking at for FY22.
 - Throughout the pandemic, they have tried to ensure an equal level of state spending and services, instead of drastically reducing spending. The Governor is aiming to maintain this level

of state spending and services and hold off growth through FY21 and into FY22, with the hope that in FY22 they will be able to grow state spending. The Secretary is expecting that growth in spending will mostly come from health care costs.

- Chair Michlewitz asked for an update on where the state CARES Act funding allocation stands.
 - The Governor's administration will be delivering a complete summary to the legislature of where all the 220 earmarks stand by this Friday.
- Chair Rodrigues asked about the Governor's proposal for accelerated sales tax collection.
 - Sales, meals and room occupancy taxes under \$150,000 would still be deferred, so only about 6% of businesses would be affected by this proposal.
- Chair Rodrigues asked about the Governor's sport wagering proposal and how they are still projecting \$35 million in tax revenue.
 - They do believe that is accurate projected tax revenue figure because the House's proposal puts forward a higher tax rate than what the Governor proposed.
- Chair Rodrigues asked the Secretary to discuss the Governor's higher education proposals.
 - Funding would be even with FY20 levels.
- Vice Chair Cindy Friedman asked how much of the Coronavirus Relief Funding is left.
 - The state has either spent or programmed all that money, though some of it will come through the FY21 budget. The Secretary noted that Massachusetts did not receive as much it should have based on the State's population, as compared to what other states received.

Secretary of Health and Human Services Marylou Sudders:

- Revised H2 focuses on stability and does not unnecessarily decrease funding for any services.
- EOHHS is the largest secretariat in the State, with revised H2 proposing \$25.2 billion in spending, which would be 54% of the State's budget.
- The largest differences with revised H2 includes a 9.2% case load increase, reaching 1.9 million members in FY21 and is expected to surpass 2 million individuals in FY22.
- There has been a 15% increase in SNAP benefits year-over-year.
- Any decreases in projected funding comes from revised case load projections, as need for some services is expected to decrease.

Following Secretary Sudders' testimony, the Chairs asked the Secretary questions that were submitted by their fellow legislators.

- Vice Chair Denise Garlick asked how the Secretary is looking at her workforce and how the State will help them be safe.
 - One of the first things that EOHHS did was provide supplemental payments to all their workforce, including foster families, to be used for PPE and offset any incurred costs. In revised H2, EOHHS is also going to bring up the salary rates for human services providers by changing which benchmarks they use.
- Chair Michlewitz asked about the Safety Net Provider Trust Fund and why there was a reduction in that funding.
 - This is due to them moving several FY21 payments into the FY20 budget.
- Chair Michlewitz asked the Secretary to expand on how funding to nursing homes will be used in the revised H2.

- There are four priorities on this topic, including redoing nursing home rates, increasing staffing and better preparing them, infection control, and increasing COVID-19 testing.
- Vice Chair Friedman asked about the \$25 million cap on the Community Health Center and Hospital Trust Fund.
 - When it was created, the goal was always to collect \$25 million, but after its approval, they realized that the cap was not included. Without the cap on the specific fund, it could collect up to \$85 million.

Secretary Housing and Economic Development Mike Kennealy:

- \$92.7 million for new economic recovery planning and response, including \$35 million for small business grants, \$7.7 million to support technical assistance for minority and women owned business, \$35 million for Community Development Financial Institution Expansion grants, and \$15 million for grants to microbusinesses operated by low and moderate income entrepreneurs.
- \$6 million would go to the Small Business Technical Assistance program, a 100% increase over FY20.
- The revised H2 budget would direct almost \$4 million to the Mass. Tech Collaborative and \$11.5 million in funding to support the Massachusetts Marketing Partnership and the Regional Tourism Councils.
- EOHEd's budget contains \$2.5 million in funding for the Advance Manufacturing Training Program.
- \$8.4 million of funding will support the Career Technical Initiative, with the goal of training an additional 20,000 skilled trades workers over the next four years.

Following Secretary Kennealy's testimony, the Chairs asked the Secretary questions that were submitted by their fellow legislators.

- Chair Michlewitz asked about the eviction diversion initiatives and why the administration decided to focus on a deadline of October 17th instead of extending it longer.
 - Secretary Kennealy said they used the two months extension that the Governor put into effect in July to work with the courts and put their current plan into place. The Secretary said there was a lot of steps put into place before evictions can take place. Michlewitz said that the end of the eviction moratorium has members of the House of Representatives concerned. Kennealy said that people who are struggling with making payments can call 211 for assistance. The Undersecretary explained how 211 works and the administration's messaging campaign.
- Vice Chair Friedman asked how the administration got to \$100 million in RAFT funding.
 - The Undersecretary said that they thought they would start at the \$100 and the Governor was willing to add more funding if need be but right now the \$100 would be able to assist around 20,000 people in the Commonwealth.

Secretary and Chief Executive Officer of the Massachusetts Department of Transportation Stephanie Pollack:

- \$355.8 million in the budget included for MassDOT this includes non-toll road Highways operations and personnel, RMV, Aeronautic and Rail and transit
- The RMV has undergone a significant organizational restructuring informed by internal and external evaluations
- Merit Rating Board- increase in \$800,000 increase to remain up to date with no backlogs
- Regional Tourism Authorities are being level funded at \$90.5 million
- The MBTA is serving an average of 330,000 trips on an average week and MassDot has developed three scenarios to plan for the future. They are planning for about 21% to 28% ridership recovery post

pandemic. There is a four part strategy to close any budget shortfalls, including shifting federal funds, obtain legislative authorization for bonding, implement internal non-service cost saving strategies, and shift services priorities. The MBTA's goal is to serve the passengers who rely on the T the most, instead of protecting services for all even though many riders commuting habits have changed forever.

Following Secretary Pollack's testimony, the Chairs asked the Secretary questions that were submitted by their fellow legislators.

- Chair Michlewitz asked if any scenario plays out when ridership will reach pre-pandemic levels.
 - The Secretary noted that bus ridership will be the most likely to reach pre-pandemic levels the soonest. Line ridership could take up to two years to reach 70% of pre-pandemic levels. The Commuter rail is expected to face the largest changes, with it most likely taking years for ridership to come back.
- Vice Chair Garlick and Senator O'Connor both expressed their concerns with the fact that the Secretary shared that the MBTA may be look at service cuts.
 - The Secretary reminded the panel that the MBTA is committed to maintain or even increasing services that are being used and are essential, but that the State cannot fund running trains that are empty and under-used.

Secretary of Labor and Workforce Development Rosalin Acosta:

- Revised H2 includes an \$8.4 million investment to transition existing high schools into career technical schools (Career Technical Initiative). The MassHire program will also be given the ability to recruit unemployed individuals who are looking technical training.
- At the beginning of the pandemic, the Secretary focused on stabilizing unemployed individuals and families. With the FY21 budget, they are looking towards getting people retrained and reemployed

Following Secretary Acosta's testimony, the Chairs asked the Secretary questions that were submitted by their fellow legislators.

- Senator O'Connor asked for more details on what MassHire is doing.
 - The Secretary noted that while all physical offices are open, they are not accepting walk ins. With that being said, MassHire now offers more services virtually than they ever have. One positive outcome of the pandemic is that the rate of individuals following through with interview has increased, largely due to everything be moved online and removing the need for transportation to interviews.