

# Massachusetts Gov. Baker's administration files fiscal year 2023 budget and tax relief proposals

*\$48.5 billion budget filed alongside comprehensive tax relief plan.*

The Baker-Polito Administration today filed its Fiscal Year 2023 (FY23) budget proposal, a \$48.5 billion plan that continues to support economic growth across Massachusetts and sustains efforts to address the COVID-19 pandemic, while fully funds the Student Opportunity Act, and making key investments in other critical areas, including housing and health care.

Alongside this fiscally responsible and balanced budget proposal, submitted as House 2, the Baker-Polito Administration is filing a comprehensive tax proposal to provide relief for housing and childcare costs, eliminate the income tax for hundreds of thousands of low-income taxpayers, and maintain Massachusetts' competitiveness. The proposed changes would allow nearly \$700 million to remain in the hands of taxpayers on an annual basis starting immediately in tax year 2022.

"Our Fiscal Year 2023 budget will help position Massachusetts strongly for the future by making key investments to support economic growth, sustain our nation-leading educational system, and support the health and wellbeing of our residents," said Governor Charlie Baker. "At the same time, we are able to grow our reserves to historic levels and offer a tax relief proposal that will provide substantial relief for low-income seniors and working families. We look forward to working with our legislative colleagues to adopt a spending

plan for FY23 that supports a strong and equitable economic recovery across the Commonwealth.”

“The FY23 budget recommendation maintains our Administration’s strong support for cities and towns with another increase in local aid consistent with tax revenue growth alongside other substantial investments to help the economic growth and development of Massachusetts communities,” said Lieutenant Governor Karyn Polito. “This plan takes advantage of our strong fiscal position to increase opportunity for individuals and families and continues our work in priority areas including treatment and prevention of substance addiction, sexual assault and domestic violence, promoting equality and diversity, and increasing access to education, job skills training, and high-value careers.”

“The Baker-Polito Administration is proud to submit an FY23 budget that is fiscally responsible, brings the Rainy Day Fund to record levels, and makes significant investments to support those who need it most, all while affording tax cuts that will help hundreds of thousands of taxpayers across the Commonwealth,” said Administration and Finance Secretary Michael J. Heffernan. “We look forward to collaborating with the Legislature in the coming months to finalize a spending plan that continues to support growth, opportunity, and recovery across the state while limiting future budgetary risk.”

## **Tax Relief Proposal**

The comprehensive tax relief plan filed today alongside the FY23 budget includes proposals that will provide \$700 million in tax relief to low-income families and residents and maintain Massachusetts’ competitiveness. With a strong revenue picture and the budget projecting a significant deposit in to the Stabilization Fund, the Commonwealth can afford to provide this relief for working families and seniors. The plan proposes to:

- Double the maximum Senior Circuit Breaker Credit to lower the overall tax burden for more than 100,000 lower-income homeowners aged 65+
- Increase the rental deduction cap from \$3,000 to \$5,000, allowing approximately 881,000 Massachusetts renters to keep approximately \$77 million more annually
- Double the dependent care credit to \$480 for one qualifying individual and \$960 for two or more, and double the household dependent care credit rate to \$360 for one qualifying individual and \$720 for two or more to benefit more than 700,000 families
- Increase the Massachusetts adjusted gross income (AGI) thresholds for “no tax status” to \$12,400 for single filers, \$24,800 for joint filers, and \$18,650 for head of households, which will provide direct relief to more than 234,000 low-income filers
- Double the estate tax threshold and eliminate the current “cliff effect” that taxes the full amount below the threshold
- Change the short-term capital gains tax rate to 5% to align the Commonwealth with most other states

## **House 2 Fiscal Overview**

The proposed FY23 budget is based on the \$36.915 billion consensus tax revenue estimate, which anticipates a 2.7% growth in total collections over revised FY22 tax estimates. House 2 recommends a total of \$48.5 billion in authorized spending and transfers, excluding the Medical Assistance Trust Fund transfer, which is approximately 0.5% above Fiscal Year 2022 (FY22).

Through fiscally responsible policies and in close collaboration with the Legislature, the Baker-Polito Administration has brought the budget into structural balance and built up financial reserves to historic high levels. With a current balance of \$4.64 billion, the Stabilization Fund is already more than four times greater than its balance at the start of the Administration.

The House 2 budget includes a \$749 million increase to the Stabilization Fund, which, in combination with projected FY22 transfers, will grow the fund to an all-time high of \$6.64 billion by the end of FY23.

### **Providing Record Investments in Massachusetts Students**

In the House 2 budget, an increase of \$591.4 million is recommended to fully fund the Student Opportunity Act, including \$485 million in Chapter 70 funding, with a focus on school districts serving low-income students, for a total of \$5.989 billion. The FY23 proposal also includes a \$41 million increase over FY22 for special education circuit breaker reimbursement for cities and towns, and a \$64.8 million increase in charter school reimbursement funding.

House 2 recommends \$31.1 million to scale up college and career pathway programs for high school students with a focus on equity and recruitment of high-need student populations. This funding will allow over 17,100 students, representing 6% of all Massachusetts high schoolers, to enroll in these programs.

The FY23 budget proposal also includes a \$1.45 billion investment for college readiness, affordability, and degree completion. This funding includes more than \$155 million in financial aid grants, including \$18 million to support an expansion of the MASSGrant Plus program that will enable all low-income, in-state undergraduate students to attend public higher education without incurring debt for mandatory tuition and mandatory fees – the largest increase in financial aid in over two decades.

### **Investing in Housing Stability**

The COVID-19 pandemic has intensified the state's existing housing challenges and brought further economic instability for many across the Commonwealth. In House 2, the Administration proposes historic reforms and investments in

rental assistance, re-housing benefits, and housing vouchers to expedite recovery and create long-lasting improvements in housing stability and access to homeownership. Building on the Eviction Diversion Initiative (EDI), which has distributed more than \$500 million in state and federally funded rental assistance to individuals, families, and landlords in crisis, House 2 significantly expands state funding and eligibility for the Residential Assistance for Families in Transition (RAFT) and HomeBASE programs, with the goal of reducing evictions and homelessness.

The budget recommends \$80 million for RAFT, an increase of \$58 million (264%) above FY22, which will support a permanent benefit limit increase to \$7,000 over 12 months, versus \$4,000 pre-pandemic, and serve an estimated 15,000 households, up from 5,000-6,000 previously. \$56.9 million is recommended for HomeBASE, a \$30.9 million (119%) increase above FY22, to serve more than 4,100 families in FY23, versus a projected 1,885 in FY22. It will also support an increase to the maximum benefit from \$10,000 over one year to \$20,000 over two years, which will allow for more extensive and flexible support to households.

House 2 also proposes reforms to the Massachusetts Rental Voucher Program (MRVP) to maximize utilization of mobile vouchers and align benefits with federal rental assistance programs operated by the same local housing authorities. \$145.6 million is projected to be available for MRVP in FY23, an increase of 223% since FY15, which will support a reduction in tenant rent share from 40% to 30%, projected to benefit more than 9,000 households across the Commonwealth, and a shift to a new payment model to give families more housing choice and flexibility.

### **Expanding Affordable Childcare Options**

House 2 provides \$802 million in funding for the Department of Early Education and Care (EEC), an increase of \$273.9 million

(52%) since 2015. This funding includes \$693.7 million in funding for income-eligible and DCF- and DTA-related childcare, which incorporates \$53.9 million to annualize the implementation of a more equitable parent fee scale that improves childcare affordability. The updated fee scale will result in virtually all subsidized families paying a fee that is 7% of their income or less in FY23.

### **Expanding Health Care Services for the Most Vulnerable**

The House 2 budget proposal protects core programs and builds on investments made over the last seven years with meaningful health care reforms that will expand services for and reduce the burden on the most vulnerable, while improving the accessibility of equitable, world class care for all Massachusetts residents.

The budget recommends \$17.811 billion gross / \$7.169 billion net for MassHealth, which includes \$115 million to expand outpatient and urgent behavioral health services informed by the Roadmap for Behavioral Health Reform, a multi-year blueprint that incorporates feedback from hundreds of individuals, families, providers, and other behavioral health stakeholders. The MassHealth budget recommendation also incorporates an increase of \$21 million to expand the Medicare Savings Program, which will reduce out-of-pocket health care spending and prescription drug costs for approximately 34,000 low-income seniors and disabled individuals.

The Administration is also proposing new investments to support families that are fostering children in the care of the Department of Children and Families and encourage recruitment of additional foster parents, including \$13.4 million that will support approximately 4,500 families who provide care for 6,700 children.

### **Promoting Diversity and Opportunity**

The FY23 budget proposal builds on the Administration's

longstanding commitment to promoting equality and opportunity for communities of color with more than \$20 million invested in targeted DESE college and career pathway programs, including Early College, Innovation Pathways, and Dual Enrollment programs. It also maintains over \$30 million for other initiatives aligned with the recommendations of the Governor's Black Advisory Commission (BAC) and Latino Advisory Commission (LAC). This funding includes support for YouthWorks Summer Jobs, small business development, financial literacy, and workforce training.

House 2 provides \$3.9 million to the Supplier Diversity Office (SDO) to continue its work to ensure accountability and compliance with diversity goals, oversee agency diversity spending, and audit and review spending data.

### **Encouraging Economic Growth and Development**

House 2 continues the Baker-Polito Administration's focus on promoting economic growth, opportunity, and equity for communities across the Commonwealth. The proposal includes \$4 million for the Small Business Technical Assistance Grant Program to support an estimated 1,500-2,000 entrepreneurs and small businesses, especially those owned by women, immigrants, veterans, and people of color. House 2 proposes \$7.5 million for the Community Empowerment and Reinvestment Grant program.

This budget maintains support for the Career Technical Initiative, providing \$17.9 million in total funding across the Executive Office of Labor and Workforce Development (EOLWD) and DESE. The initiative is designed to address the worker shortage and skills gap in the trades and technical fields, including plumbing, HVAC, manufacturing, and robotics, and it offers industry-recognized credentialing and career pathways with training aligned to apprenticeships and post-secondary degrees.

These investments build on the Administration's work through

the COVID-19 pandemic to support more than 15,400 businesses across the Commonwealth with over \$700 million in relief. This program – the largest per capita state-sponsored business relief program in the nation – prioritized aid for specific economic sectors and demographics known to be the most impacted by the COVID-19 pandemic and worked with a wide range of partners to ensure businesses that needed it most applied to the program.

### **Addressing Sexual Assault and Domestic Violence**

The impacts of the COVID-19 pandemic have created additional challenges for survivors of sexual assault and domestic violence. The Governor's Council to Address Sexual Assault and Domestic Violence, chaired by Lieutenant Governor Polito, has continued to work closely with community partners and stakeholders to ensure that survivors and their families have access to necessary services and supports.

House 2 furthers these efforts by recommending \$123.4 million in total funding for services dedicated to the prevention and treatment of sexual assault and domestic violence, a 91% increase in funding since FY15.

### **Substance Addiction Treatment and Prevention**

The Administration, working closely with the Legislature, has nearly quadrupled funding for substance addiction treatment and prevention since taking office. These efforts have helped the Commonwealth add more than 1,200 patient treatment beds, including more than 800 beds for adults at varying treatment levels. House 2 proposes \$543.8 million in total funding across multiple agencies for a wide range of harm reduction, treatment, and recovery programs that support individuals struggling with substance addiction and programs that work to prevent substance addiction through education, prescription monitoring, and more.

## **NUMBERS**

### **Supporting Local Government**

- Increases the Unrestricted General Government Aid (UGGA) investment by \$31.5 million compared to the FY22 budget, consistent with the expected 2.7% growth in tax revenue and keeping a promise made by Governor Baker and Lt. Governor Polito at the outset of their administration
- Total UGGA investment of \$1.2 billion to local cities and towns across the Commonwealth
- Under the Baker-Polito Administration, total annual UGGA has increased by \$253.9 million
- \$6 million in funding for Community Compact related programs including best practices and regionalization and efficiency grants, an increase of \$2.4 million (66%) above FY22
- \$4.8 million for the Public Safety Staffing Grant Program managed by the Executive Office of Public Safety and Security
- \$3 million for district local technical assistance

### **K-12 Education**

Fully funds the landmark Student Opportunity Act, adding a total of \$591.4 million in new spending.

- \$485 million in Chapter 70 funding, for a total Chapter 70 investment of \$5.989 billion
- \$41 million increase for special education circuit breaker reimbursement for local cities and towns
- \$64.8 million in additional funding for charter school reimbursement

In addition to Chapter 70, provides \$952.8 million for the Department of Elementary and Secondary Education, including \$31.1 million to scale up proven programs that will develop and expand college and career pathways for more than 17,100 high school students, a \$12 million increase above FY22 funding

## **Early Education and Childcare**

- \$802 million for Early Education and Care (EEC), an increase of \$273.9 million (52%) since FY15. The recommendation includes:

- \$53.9 million to annualize the implementation of a more equitable parent fee scale that improves childcare affordability across the Commonwealth

- \$9.2 million across the Department of Transitional Assistance (DTA) and EEC that would provide childcare subsidy access for individuals participating in Supplemental Nutrition Assistance Program (SNAP) Employment and Training programming

- \$5.5 million across the Department of Children and Families (DCF) and EEC to increase enrollment of DCF-involved children in childcare and expand a temporary childcare program to reach more children and provide additional wraparound services

## **Higher Education**

- \$1.45 billion for the Department of Higher Education, University of Massachusetts, and state universities and community colleges, which includes:

- More than \$155 million in financial aid grants, including \$18 million to support an expansion of the MASSGrant Plus program that will enable all low-income, in-state undergraduate students to attend public higher education without incurring debt for mandatory tuition and mandatory fees

- \$22 million in financial aid for Massachusetts students attending private institutions

- \$8.8 million for foster care financial aid and fee waiver programs to maintain support for over 1,400 students attending private and public campuses who are currently or were previously in DCF custody and care, or who have been adopted through DCF

## **Housing and Homelessness**

- \$716.5 million for the Department of Housing and Community Development, a \$132.4 million (23%) increase above FY22, including:

- \$213.2 million for the Emergency Assistance family shelter system
- \$145.6 million for MRVP to support more than 9,000 vouchers in FY23, an increase of 223% since FY15
- \$85 million in funding for Local Housing Authorities
- \$83.3 million, a \$25.4 million (44%) increase above the FY22 GAA, for Homeless Individual Shelters
- \$80 million for Residential Assistance for Families in Transition (RAFT), an increase of \$58 million (264%) above FY22
- \$56.9 million for HomeBASE Household Assistance, a \$30.9 million (119%) increase above FY22
- \$12.5 million for the DMH Rental Subsidy Program, a collaborative program through which DMH provides mental health services and DHCD provides rental assistance
- \$8.2 million for Housing Consumer Education Centers to help renters and homeowners secure and maintain stable housing
- \$5 million to continue an innovative model to create new housing opportunities with wraparound services for chronically homeless individuals

### **Economic Development**

- \$10 million for a new direct appropriation supporting the Massachusetts Life Sciences Center, a quasi-public agency tasked with building the life sciences community in Massachusetts
- \$7.5 million for the Community Empowerment and Reinvestment Grant program to support development in socially and economically disadvantaged communities
- \$4 million for the Small Business Technical Assistance Grant Program for entrepreneurs and small businesses, especially those owned by women, immigrants, veterans, and people of color

- \$2.5 million for Advanced Manufacturing Training

## **Labor and Workforce Development**

- \$440.1 million for workforce development programs and initiatives across a wide range of state agencies, a \$191.3 million (77%) increase since the Administration took office
- \$16.9 million in total funding to continue transforming vocational high schools into Career Technical Institutes running three shifts per day to provides pathways to high-demand vocational trade careers, including plumbing, HVAC, manufacturing, and robotics
- \$16.2 million for the YouthWorks Summer Jobs Program to subsidize summer job opportunities and provide soft job skills education for youths
- \$600,000 for a new appropriation to expand research and analytics capabilities to enhance data-driven workforce development strategies

## **Health and Human Services**

- \$230 million for Chapter 257 human service provider funding under the new rate methodology that better reflects the cost of benchmarking direct care and clinical staff wages
- \$115 million to expand outpatient and urgent behavioral health services
- \$21 million to expand the Medicare Savings Program, reducing out-of-pocket health care spending and drug costs for approximately 34,000 low-income older adults and disabled individuals
- \$10 million in grants to local health departments to support municipalities' capacity to respond to the COVID-19 pandemic
- \$671.9 million for the Executive Office of Elder Affairs, a \$400.1 million (147%) increase since FY15
- \$84.1 million to fully fund the Turning 22 program at DDS
- \$1.191 billion for the Department of Children and Families, an increase of \$363.6 million (44%) since 2015, including

\$13.4 million to support families that are fostering children in DCF care and to encourage recruitment of new foster families

- \$49.3 million for the Chelsea Soldiers' Home, a \$13.2 million (37%) increase above FY22, which supports the Fall 2022 opening of a new 154-bed state-of-the-art Community Living Center.

### **Substance Addiction Prevention and Treatment**

- \$543.8 million provided in FY23 across a variety of state agencies, an increase of \$424.5 million (356%) since FY15. Funding includes:

- \$184.1 million for a variety of treatment and prevention services at the Department of Public Health

- \$260 million through a Section 1115 Substance Use Disorder (SUD) waiver from the federal government

- \$31 million for inpatient treatment beds operated by the Department of Mental Health

- \$65.9 million across public safety and law enforcement agencies, primarily for the provision of medication-assisted treatment

### **Sexual Assault and Domestic Violence**

- \$123.4 million across the budget, a 91% increase since FY15, which includes:

- \$56.1 million in funding for the Department of Public Health to carry out domestic violence and sexual assault prevention and survivor services, as well as emergency and transitional residential services for victims and their children

- \$42.9 million for providing shelter, services, and housing assistance for individuals and families who are victims or at risk of domestic abuse in their current living situations

- \$7.9 million for statewide sexual assault nurse examiner (SANE) programs for adults and adolescents in hospital settings and pediatric SANE programs in child advocacy centers

- \$2 million to expand services for survivors of human trafficking, including \$1 million through the Safe and Successful Youth program and \$1 million in a new appropriation in the Executive Office of Public Safety and Security

### **Promoting Equality and Opportunity**

- More than \$50 million supporting the recommendations of the Black Advisory Commission (BAC) and the Latino Advisory Commission (LAC), including:
  - \$23.1 million to support higher education and career pathways for high school students in underserved communities through the Early College, Innovation Pathways, and Dual Enrollment programs
  - \$4.8 million for the STEM Starter program across 15 community colleges
  - \$4.5 million to support the YouthWorks Summer Jobs program
  - \$5.9mMillion for Adult Basic Education (ABE)
  - \$2.5 million for the Urban Agenda program
  - \$1.9 million for the Workforce Competitiveness Trust Fund
  - \$3.9 million for the Supplier Diversity Office (SDO)

### **Transportation**

- \$1.512 billion in total budget transfers for the MBTA
- \$456 million for the Massachusetts Department of Transportation (MassDOT), including \$95 million for snow and ice operations and \$3.4 million to support implementation of new funds provided through the Infrastructure Investment and Jobs Act
  - \$94 million for Regional Transit Authorities
  - \$11.6 million for the Merit Rating Board

### **Energy and the Environment**

- \$4 million for the Summer Nights program, an increase of \$2.7 million (208%) versus FY22 funding
- \$30.5 million for the Massachusetts Emergency Food

Assistance Program, which will provide more than 27.4 million nutritious meals for individuals and families

- \$3.7 million for climate change and adaptation preparedness
- \$1.3 million to expand the Swim Safe Massachusetts program to enhance and promote water safety

### **Criminal Justice and Public Safety**

- \$14.3 million to support for the 87th and 88th Massachusetts State Police Recruit Training Troops, which are expected to bring on 175 new troopers each
- \$78.3 million in total funding for re-entry and diversion programming across the Commonwealth, a \$42.6 million (120%) increase since 2015
- \$12.3 million in funding for the Shannon Grant program to fund anti-gang and youth violence prevention efforts
- \$10.4 million to fully fund tuition and fee waivers for National Guard members
- \$8 million for the Municipal Police Training Commission to implement bridge academies, expand training capacity, and annualize training requirements such as de-escalation and school resource officer trainings

\$5.8 million is also provided for new appropriations supporting the Peace Officer Standards and Training (POST) Commission and four other commissions created in the Police Reform bill.

### **Securing and Modernizing Government IT**

- \$164.1 million for the Executive Office of Technology Services and Security to support:
  - Management of Cyber Security Operations Center (SOC)
  - Continued migration of applications and infrastructure to cloud, third-party on-premise, and Software as a Service (SaaS)
  - Continuation of EOTSS customer engagement initiative to enhance IT and security service offerings across Commonwealth

agencies

- IT strategy consulting services in support of priority state agency and cross-secretariat initiatives
- Business intelligence (BI) and data analytics support for state agencies

Centralized software and IT contract compliance program

To access the Governor's filing letter, budget message, and specific account information [click here](#).