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Further Analysis: Closing the Gap on Fiscal 2021

Difficult Decisions Ahead as Legislators Confront Budget for Coming Fiscal Year

On January 22, 2020, Governor Charlie Baker published his budget recommendation for state fiscal year 2021, which begins July 1, 2020. His budget blueprint, also known as House 2 (H.2), seeks $44.9 billion in spending appropriations and projects an additional $3.5 billion in spending already authorized by lawmakers.

This analysis describes the steps taken by the governor to balance the budget compared to MTF's initial projection of an $880 million gap between revenue and spending in fiscal 2021.[1] It also describes ten tough choices confronting legislators as they develop a budget for the upcoming fiscal year.

Key Takeaways

- **The governor's plan is balanced primarily as the result of assumed new revenue**, including tax revenue in excess of projections from independent forecasters, tax initiatives and adjustments, and other revenue items.
- The toughest choice for legislators is **whether the governor's budget adheres to the spirit of the new education finance reform law** enacted last year. If legislators decide it does not, they will need determine how much more needs to be spent and how to support that additional spending.
- **Legislators face at least ten tough choices as they construct their own budget plan,** such as changing the way the state collects sales tax revenue, legalizing sports wagering, imposing new penalties on high-cost drugs, and "shifting" MassHealth costs between fiscal years.

[1] *First Look: Tough Choices Ahead in Fiscal 2021* by the Massachusetts Taxpayers Foundation, January 15, 2020.

OVERVIEW

Low Tax Growth, Rising Spending Squeeze State Budget

After two consecutive years of above-trend tax revenue growth and record deposits to the state's "rainy day" fund, the Commonwealth Stabilization Fund, policymakers, opinion leaders, and citizens could be forgiven if they assumed the fiscal 2021 budget process would be easy. The state's economy remains strong with low unemployment and rising wages. The good times should continue to roll.

At the annual consensus tax revenue hearing on December 4, 2019, however, most forecasters projected low-growth tax revenue in fiscal 2021, with estimates anticipating growth of less than 2 percent over fiscal 2020 as the incremental impacts of federal tax reform wane and the state's changing demographics weigh on the prospects for future growth.

At the same time, fiscal pressures on the budget are rising in the form of both new commitments like the recently adopted education finance reform law as well as longstanding budget busters like MassHealth, the annual contribution to the state pension system, and rising costs associated with other health and human service programs.

In January, MTF published a paper that used a budget model to estimate the balance between anticipated revenue and spending in fiscal 2021.[2] That paper projected a starting gap of approximately $880 million and predicted that policymakers would face tough choices to raise revenue and/or reduce spending in order to adhere to the statutory requirement for a balanced budget.

This analysis describes the changes included in the governor's budget proposed on January 22, 2020 in order to balance revenue and spending. This paper also outlines ten tough choices made by the governor that legislators now confront as they develop their own plans for the upcoming fiscal year.

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[2] For more information, see *First Look: Tough Choices Ahead in Fiscal 2021* by the Massachusetts Taxpayers Foundation, January 15, 2020.

Gap & Solves

Starting Point

MTF's analysis modeled an initial gap of $880 million. After a refining adjustment to account for the impact of budgeted funds that do not count toward the Commonwealth's Consolidated Net Surplus (CNS) calculation, MTF's revised starting gap reflected an imbalance between revenue and spending of $884 million.

The utility of MTF's budget model did not end with the initial gap analysis. Estimated at the revenue source and spending line item level, the MTF model represented "current services" or "maintenance" spending levels, the amount of spending an agency or program might expect to spend adjusted for typical wage growth and long-run caseload or service trends.

As the governor's budget recommendation, or any other proposed fiscal 2021 budget, represents both "normal" spending changes (e.g. inflation, caseload) as well as program cuts or expansions, the MTF model is useful in that it highlights variations with long-term trends.

A high-level comparison of the MTF model to H.2 is provided in Appendix I. These reports describe the total spending and revenue differences for each of state government's ten major policy areas by Secretariat/agency or spending category.[3]

The differences between the MTF model and H.2 are expressed in terms of the net fiscal impact. Net fiscal impact captures both revenue and related spending changes in one figure that describes the impact on budget balance. Negative numbers, or net fiscal costs, add to the budget imbalance; positive numbers, or net fiscal benefits, decrease the gap.

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[3] For more information about the Appendix I reports, see the methodological notes at the end of this paper.

Fiscal 2021: Gap & Solves	
Net Fiscal Impact	*H.2 vs MTF*
Starting Point	
MTF estimated starting gap	-880.2
Adjustment for non-CNS funds	-4.1
Subtotal, Revised MTF Starting Gap	-884.3
Tax Revenue	
Consensus Tax Revenue w/adjustments	177.4
Tax Adjustments	
Sales Tax Acceleration	236.8
Tax-Related Settlements & Judgments	50.0
Other Tax Solves	24.0
Subtotal, Tax Adjustments	310.8
Other Revenue Assumptions	
Sports Wagering	35.0
Tobacco Settlement	26.5
Fund Balance Sweeps	21.4
High Cost Drug Penalties	19.0
Subtotal, Other Revenue Assumptions	82.9
Additional Spending	
EEC	-62.7
Higher Education	-23.2
Other HHS	-20.6
TNC Fee/DOT	-15.9
Subtotal, Additional Spending	-122.3
Budget Solves	
MassHealth More Timing Shift	112.6
Student Opportunity Act	106.4
Subtotal, Budget Solves	219.0
Structural Changes/Other	
Back out earmarks/one-time spending	194.5
Model variance & Other	3.6
Subtotal, Structural Changes	198.1
Total Changes	**884.9**
Ending Point, H.2 balance as filed	**0.6**

Figures in $ millions.

Tax Revenue

Consensus Tax Revenue

On January 13, 2020, the Secretary of Administration and Finance, Senate Ways and Means Chair, and House Ways and Means Chair announced their agreement to a consensus tax revenue (CTR) forecast of $31.151 billion for fiscal 2021, anticipating 2.8 percent growth over the revised fiscal 2020 tax estimate of $30.3 billion.[4]

Compared to the four forecasts provided to budget writers at the consensus tax revenue hearing on December 4, 2019, the CTR growth estimate relies on a more conservative base amount for fiscal 2020 but is more aggressive than recommended by the Massachusetts Department of Revenue, Beacon Hill Institute, and MTF for fiscal 2021.

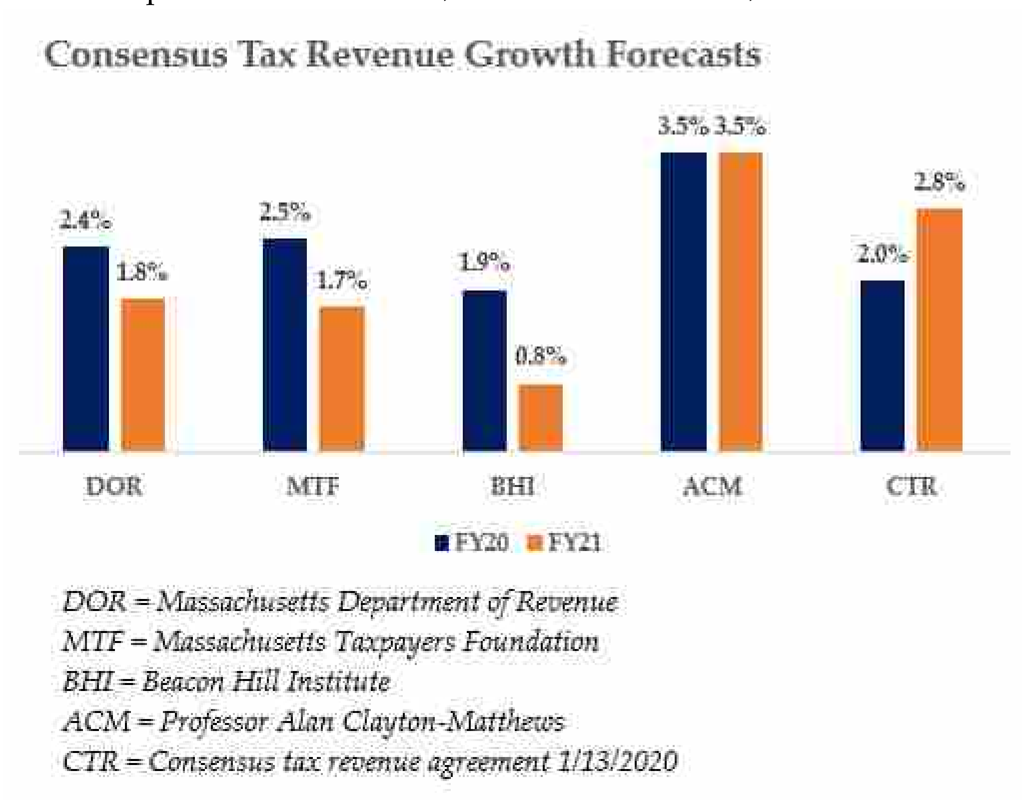

Figure 1: Tax revenue growth forecasts provided to policymakers at the consensus tax revenue hearing. CTR is more cautious on fiscal 2020 (in blue) and more aggressive in fiscal 2021 (in orange).

The MTF model used the tax revenue estimate of $30.962 billion projected by MTF at the consensus tax revenue hearing. After adjusted for statutory transfers to the Massachusetts Bay Transportation Authority (MBTA), Massachusetts School Building

[4] Heffernan, Rodrigues, Michlewitz, Announce Consensus Revenue Forecast of $31.151 billion for Fiscal Year 2021, Commonwealth of Massachusetts Executive Office for Administration and Finance, House Committee on Ways and Means, Senate Committee on Ways and Means, January 13, 2020.

Authority (MSBA), Workforce Training Trust Fund (WTTF), and the state's revenue volatility cap, the CTR estimate adds $177 million in additional tax revenue to support spending in H.2. Refer to Appendix II for a table comparing the MTF tax revenue forecast with the consensus tax revenue estimate as well as tax adjustments proposed in H.2.

Consensus Tax Revenue Forecasting				
	Base	Projection	Change	Growth
FY16	24,325.0	25,479.0	1,154.0	4.7%
FY17	25,751.0	26,860.0	1,109.0	4.3%
FY18	26,056.0	27,072.0	1,016.0	3.9%
FY19	26,661.0	27,594.0	933.0	3.5%
FY20*	28,592.0	29,431.5	839.5	2.9%
FY21 MTF	*30,441.0*	*30,962.0*	*521.0*	*1.7%*
FY21 CTR	*30,289.0*	*31,151.0*	*862.0*	*2.8%*

Figures in $ millions.

*FY20 adjusted to include recreational marijuana.

Figure 2: Recent consensus tax revenue agreements have been more cautious than those adopted in fiscal 2016 and 2017. Most of the testimony at the consensus tax revenue hearing recommended greater caution in fiscal 2021 than represented in the actual agreement.

The CTR's more aggressive tax revenue assumption adds risk to the budget picture for fiscal 2021. Policymakers have experienced the pitfalls associated with overly optimistic tax revenue assumptions in previous fiscal years. In fiscal 2017, for example, the CTR agreement assumed 4.3 growth over the previous fiscal year's estimate. When that growth failed to materialize, the governor implemented painful actions to close the gap, such as implementing midyear budget cuts totaling $98 million, banning agency spending on items like equipment and information technology, sweeping nearly $140 million from a host of trust funds, and implementing a $25 million Voluntary Separation Incentive Program (VSIP) to encourage employees to leave state service.[5] Though necessary to balance the budget, such steps inevitably disrupt service delivery, damage workforce morale, and make it more difficult to accomplish public policy goals.

[5] For more information, see Letter from Secretary Kristen Lepore dated October 27, 2016, "Baker Ordered Spending Bans in April", Michael P. Norton, State House News June 19, 2017. "Baker Plans to Raid Trust Funds to Balance Last Year's Budget" by Andy Metzger and Michael P. Norton, State House News July 7, 2017, and Governor's FY17 9C filing letter dated December 6, 2016.

Although the consensus revenue agreement is already established, **tough choice #1** for lawmakers is to decide whether to hedge the additional risk in the CTR by adopting more cautious non-tax revenue estimates, reducing spending, or generating more tax revenue.

One relevant decision point relates to the state's charitable deduction. On January 1, 2020, the Massachusetts personal income tax rate changed to 5 percent, completing a twenty-year process of reducing the tax rate initiated by a ballot initiative in 2000, and triggered the reinstatement of the state's charitable deduction beginning January 1, 2021 per statute.[6]

The consensus tax revenue agreement assumes a tax revenue reduction of $64 million in fiscal year 2021 associated with the partial-year impact of this change, and DOR estimated a full-year impact of $300 million. The governor's budget recommendation included a policy section asking DOR to study the implications of the change with a focus on, "…alternative options including, but not limited to, reducing the charitable deduction percentage and capping the deductible amount per taxpayer."[7]

Lawmakers may choose to postpone reinstatement of the charitable deduction while the DOR studies the potential impact of the eighteen-year-old law, effectively increasing taxes compared to existing law. However, this action would come at the expense of taxpayers and nonprofit organizations in the Commonwealth that have looked forward to the change for a very long time.

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[6] M.G.L. Chapter 62 § 3.

[7] Governor's Budget Recommendation for Fiscal Year 2021. Outside Section 95.

Tax Adjustments

Accelerated Sales Tax Remittance (ASTR)

For the third year in a row, Gov. Baker introduced a proposal to change the way sales tax collections are remitted to the state. Currently, businesses that collect sales taxes remit them to the state on the 20th business day of each subsequent month (i.e. sales taxes collected in February are remitted to the state in March). The governor proposes to modify this practice in two phases. In Phase I, certain vendors would be required to estimate and pay their sales tax collections for the current month. This approach is used in other states, making the process familiar to affected vendors. The change would provide the state with a one-time increase in sales tax revenue associated with collecting, in effect, thirteen months of sales tax revenue in fiscal 2021 instead of twelve. Since the change would be permanent, it would not impact future fiscal years negatively.

Phase II of the plan imposes daily sales tax remittance on certain credit card transactions beginning July 1, 2023. The new requirement, effectively another form of prepayment, would be in addition to the current monthly reporting requirements for cash transactions and still require a final monthly report to reconcile post-sale adjustments. This complicated proposal is designed to further accelerate sales tax collections and may offer some benefit as a fraud prevention tool; however, Massachusetts would be the only state to impose such a requirement. Its novelty raises questions about how vendors would comply and the related compliance costs.

As proposed in H.2, the plan is estimated to generate $317 million in one-time revenue in fiscal 2021. Of this amount, approximately $80 million would be sales tax revenue statutorily dedicated to the Massachusetts Bay Transportation Authority (MBTA) and Massachusetts School Building Authority (MSBA). Unlike last year's proposal which earmarked this non-recurring revenue to non-recurring spending items, this year's version would credit $237 million to the General Fund to support budgeted spending.

Adoption of this plan would undo much of the progress made in recent years to reduce reliance on one-time revenue to support recurring spending.[8] Whereas the fiscal 2015 budget relied on nearly $1.2 billion in non-recurring budgeted revenue, the fiscal 2020

[8] For example, see *Governor's Budget Recommendation for FY2017: Fiscal Health and Prospects*, *Governor's Budget Recommendation for FY2018: Fiscal Health and Prospects,* and *Governor's Budget Recommendation for FY2019: Fiscal Health and Prospects*

budget included just $29 million from the prospective sale of the Edward J. Sullivan Courthouse in Cambridge. Combined with a presumed $20 million one-time penalty from Columbia Gas in the wake of the Merrimack Valley gas explosion and an anticipated settlement of certain non-participating manufacturer (NPM) adjustment disputes under the Master Settlement Agreement (MSA) with tobacco companies discussed below, the fiscal 2021 budget includes approximately $284 million in non-recurring revenue.

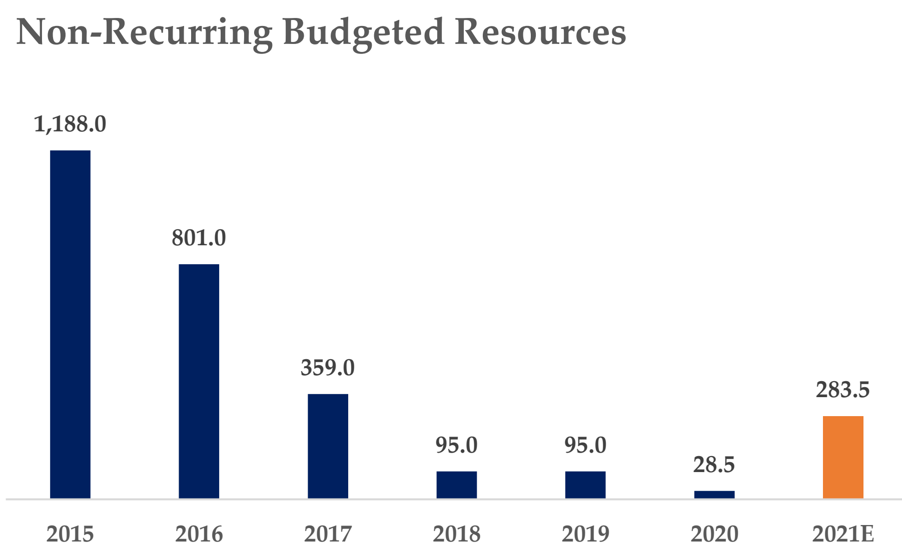

Figure 3: Non-recurring budgeted resources included in the governor's budget recommendation

This use of one-time revenue to support recurring spending will create a structural imbalance between revenue and spending in fiscal 2022. The resulting gap must be addressed in the future by either finding new one-time revenue sources or adopting a combination of spending cuts and/or revenue increases. While it made short-term sense in the wake of the Great Recession to use any available revenue sources to plug gaps, the detrimental impacts on long-term fiscal stability are difficult to overcome.

As the largest of the governor's proposed revenue increases, **Tough choice #2** for lawmakers is to determine whether to adopt some version of ASTR, including how the policy will be structured and implemented, and, if they choose to do so, how the Commonwealth will address the resulting structural imbalance in fiscal 2022. If they choose not to pursue ASTR, lawmakers will need to identify an additional $237 million in revenue or spending changes to balance the budget.

Tax-Related Settlements & Judgments

The Commonwealth occasionally pursues litigation to address tax disputes between taxpayers and the Department of Revenue. Beginning in fiscal 2009, DOR began tracking this separately for settlements that exceed $10 million each, most often related to corporate tax issues.

In July 2008, the Commonwealth enacted mandatory unified combined reporting that required certain related businesses to file a combined return. This change addressed many of the tax controversies that generated large tax settlements. Cases that predated the changes remained in the "litigation pipeline", but the new approach reduced settlement and judgment activity in recent years. According to DOR, cases with an approximate collection value greater than $1 million each (a lower threshold) had a total potential value of $389 million in fiscal 2015. The total potential of such cases in fiscal 2020 is approximately $243 million, a decrease of 37 percent.

H.2 assumes $50 million in revenue from tax-related settlements and judgments exceeding $10 million each. As MTF wrote on the subject in August 2019:

> "This revenue stream has diminished considerably in recent years, generating $58 million in fiscal 2017, just $11 million in fiscal 2018 from only one case, and $49 million from just two cases in fiscal 2019…
>
> …MTF recommends reviving a policy that credited these payments to the Stabilization Fund. Adopted in calendar year 2011, this law triggered deposits of $375 million in fiscal 2012, $95 million in fiscal 2013, and $414 million in fiscal 2014, though the fiscal 2014 transfer was later withdrawn, resulting in no net deposit in 2014.[9] In total, the policy steered approximately $470 million to the Stabilization Fund.
>
> In 2014, the law was changed to subject these transfers to a threshold equal to the average settlement and judgments revenue for the previous five years.[10] Since this change was implemented, no settlement and judgment revenue has been deposited to the Stabilization Fund."[11]

[9] M.G.L. Chapter 29, § 2H was amended by the Acts of 2011, Chapter 68 § 37

[10] M.G.L. Chapter 29, § 2H was further amended by the Acts of 2014, Chapter 165 § 47

[11] *FY20 Budget Vetoes*, Massachusetts Taxpayers Foundation, August 2, 2019.

Deciding how to account for tax-related settlements and judgments represents **tough choice #3** for legislators.

The revenue is unpredictable and unreliable, making it a poor source to support budgeted spending. In fiscal 2018, policymakers assumed $125 million in such revenue, but only $11 million was realized. Luckily, other tax collections exceeded estimates and the shortfall went unnoticed by most observers. The long-term future of this revenue source is questionable at best. Budget writers need to acknowledge this fact at some point.

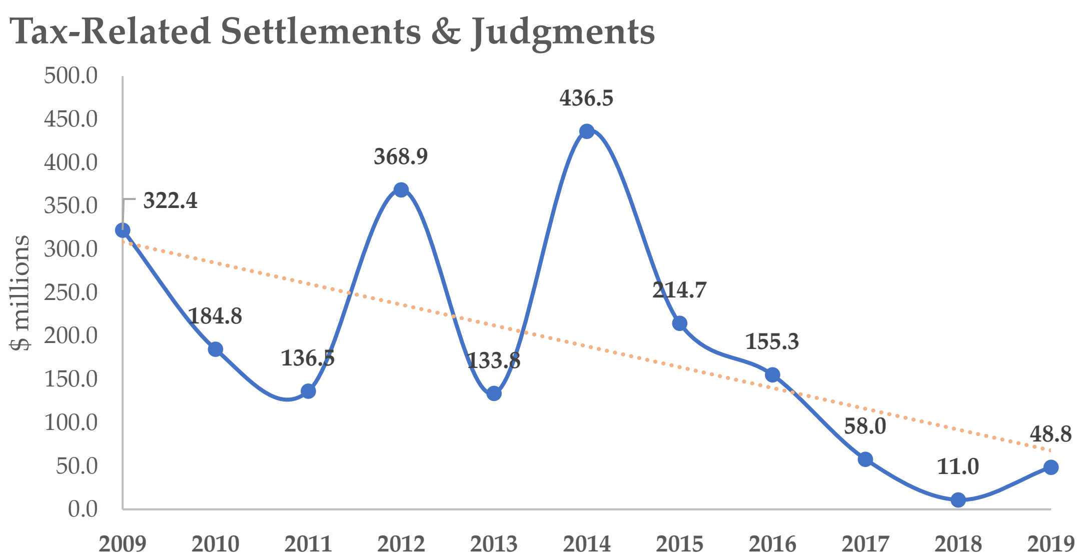

Figure 4: Tax-related settlements and judgments exceeding $10 million each have declined steadily in recent years.

If legislators choose to assume budgeted revenue from this source as the governor did, they increase the possibility of midyear budget cuts or other revenue changes. Deciding not to count on this revenue would be beneficial to the Stabilization Fund but require the identification of $50 million in further revenue or spending changes.

<u>Other Tax Solves</u>

H.2 assumes revenue from three tax initiatives originally proposed during the fiscal 2020 budget development process, including imposition of a gross receipts tax on the sales of opioids in Massachusetts estimated at $16 million, an administrative cap on the Life Sciences Tax Credit with a value of $5 million, and $2 million in revenue from "sales tax integrity" provisions to punish the use of "zappers", software that falsifies transaction records in Point-of-Sale systems used by businesses, to evade taxes.

Lawmakers chose not to enact the opioids gross receipts tax, which the governor reintroduced in his health care bill, and the "sales tax integrity" measures last year.[12] The administrative cap on the Life Science Tax Credit has been accepted by the legislature each year for at least the last three budget cycles. MTF's original analysis included all three measures as potential budget solves.[13]

One new initiative included in fiscal 2021 assumes $1.2 million from participation in the U.S. Treasury Department's Treasury Offset Program (TOP).[14] Under this program, the Department of Revenue would share the names of delinquent state taxpayers with the federal government. Any individuals receiving federal payments, such as tax refunds or child support payments, would have those funds diverted to pay the tax obligation. Though revenue expectations are small, participation in this program may raise concerns about protection of taxpayer data as well as basic fairness questions about diverting federal aid to individuals in order to resolve debts.

Combined, these tax adjustments produce an additional $24 million compared to the MTF model.

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[12] H. 4134, *An Act to Improve Health Care by Investing in VALUE*.
[13] *First Look: Tough Choices Ahead in Fiscal 2021* by the Massachusetts Taxpayers Foundation, January 15, 2020.
[14] US Department of the Treasury *What is the Treasury Offset Program?*

Other Revenue Assumptions

Sports Wagering

H.2 includes $35 million in revenue associated with Gov. Baker's proposal to legalize sports wagering that remains pending before the legislature.[15] MTF summarized the bill in a previous brief:

> "The Governor's Budget Recommendation assumes $35 million in taxes, licensing fees, and other revenues associated with legalizing sports wagering in the Commonwealth in fiscal 2020. Largely modeled on the regulatory regime in New Jersey, this legislation would require vendors to remit a portion of gross gaming revenue daily to the Commonwealth, as is practice for resort-style casinos and slots parlors. In the first instance, this revenue would be paid to the Massachusetts Gaming Commission (MGC) and then subsequently transferred to the budgeted Gaming Local Aid Fund. As a result, it is not counted as tax revenue per se, but as rather as a transfer from MGC."[16]

According to the legislature's website, the Joint Committee on Economic Development and Emerging Technologies held two days of public hearings on the governor's proposal on May 28-29, 2019.[17] Since that time, New Hampshire legalized sports wagering and launched a high-profile relationship with Boston-based DraftKings to manage the online sportsbook on behalf of the Granite State.[18]

Deciding whether to legalize sports wagering is **tough choice #4**. If legislators choose to pursue this policy, they will need to sort out challenging issues such as how the change would impact the state's existing gaming facilities. After beginning fiscal 2020 with a total gaming tax revenue estimate of $294 million from Plainridge Park Casino (PPC) in Plainville, MGM Springfield, and Encore Boston Harbor in Everett, revenue figures filed with the governor's budget recommendation reflect a downgraded full-year estimate of $283 million annually for both fiscal 2020 and fiscal 2021.[19] Notably, officials

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[15] H.68, *An Act Expanding Sports Wagering in the Commonwealth*

[16] *Further Analysis of Governor Baker's FY 2020 Budget*, Massachusetts Taxpayers Foundation, April 5, 2019. Page 17.

[17] Bill History, H.68 *An Act Expanding Sports Wagering in the Commonwealth.*

[18] *New Hampshire becomes latest state to offer sports betting*. Michael Casey, Associated Press. December 30, 2019.

[19] For more information, see *Technical Backgrounder: Gaming Tax Revenue in the Commonwealth's Budget* by the Massachusetts Taxpayers Foundation, May 1, 2019.

at MGM Springfield have already indicated they see sports betting as a key component of their business strategy for attracting new customers.[20]

With gaming revenues at existing facilities already underperforming, legislators may consider efforts to boost casino revenue such as providing a period of exclusivity for sports betting at the existing casinos before allowing new vendors to enter the online or retail marketplace. An exclusivity period may be beneficial in terms of defending the current gaming revenue estimates but would reduce expectations for sports wagering-related revenue overall.

Further, sports wagering revenues have been underwhelming in other states, in some cases falling far short of original estimates.[21] Working in conjunction with the Massachusetts Gaming Commission, legislators should assess whether the $35 million estimate associated with the governor's proposal is too optimistic.

If lawmakers decline to pursue sports wagering, they may consider other gaming options to replace the revenue, such as converting PPC's license to allow table games or amending the gaming law to add another gaming license for southeastern Massachusetts in order to settle the dispute between competing casino proposals in that region.

Tobacco Settlement

In 1998, Massachusetts and 45 other states reached an agreement with four major tobacco companies to dramatically reshape the way cigarettes are marketed and sold in the United States. Under the Master Settlement Agreement (MSA), tobacco companies agreed to change their advertising and marketing practices and pay states billions of dollars each year in perpetuity in exchange for settling numerous lawsuits filed against them. Since 1999, Massachusetts has received $5.3 billion in total payments under this agreement including approximately $237 million in April 2019. The state currently expects a payment of $233 million in fiscal 2020.

[20] *MGM Springfield bets on legalization of sports betting for growth in 2020*, Jim Kinney, Springfield Republican. February 9, 2020.

[21] *Most states' sports betting revenue misses estimates*, Jennifer McDermott and Geoff Mulvihill, Associated Press. April 2, 2019.

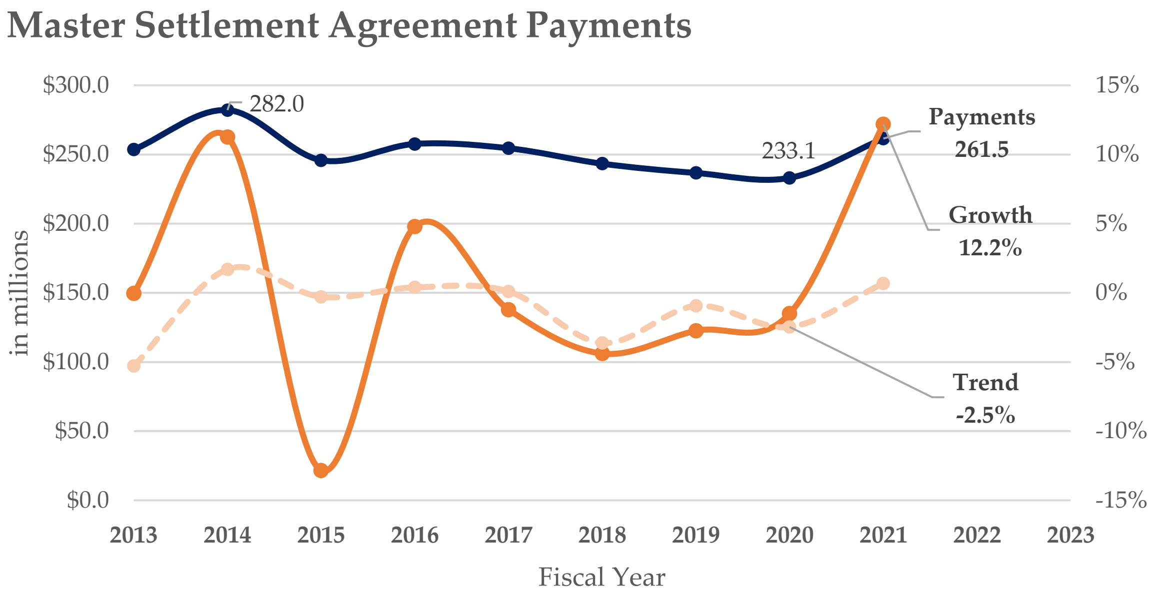

Figure 5: Master Settlement Agreement payments to Massachusetts; Actuals for fiscal 2013-2019, Estimates for fiscal 2021-2022

The governor's budget assumes this revenue will jump in fiscal 2021 up to $261 million, which would make it the largest payment since fiscal 2014.

The formula that determines the MSA amount for each state includes provisions that allow tobacco companies to reduce the annual payment if they are judged to have suffered market share loss as a result of complying with the MSA.[22] As a result of these Non-Participating Manufacturer (NPM) adjustments, the Commonwealth's payments have been reduced each year since 1999. The Commonwealth challenges these adjustments routinely through an arbitration process. The state received an additional payment associated with the 2003 NPM adjustment in fiscal 2014 and expects to receive an additional payment associated with the 2004 NPM adjustment, though there is no timetable available for when this will occur. H.2 implicitly assumes this one-time payment will arrive in fiscal 2021.

Compared to the MTF model, this adds approximately $27 million in new revenue.

[22] For more information about the Commonwealth's dispute with tobacco manufacturers, see Commonwealth of Massachusetts Information Statement dated January 29, 2020.

Fund Balance Sweep

Gaming tax revenue collected from resort-style casinos (Encore Boston Harbor and MGM Springfield) is earmarked by statute for twelve purposes such as local aid, transportation, and education.[23] Ten percent of this revenue is dedicated to pay down debt and other long-term liabilities. According to data posted on the Office of the State Comptroller's CTHRU financial database for non-budgeted special revenue and trust funds, this fund started fiscal 2020 with a balance of $22 million.[24]

For the third year in a row, however, the governor's budget assumes that this money will be used to pay debt service obligations in fiscal 2021 rather than budgeted revenue. MTF's gap analysis identified this as a potential budget solve. Compared to the MTF model, this adds $21 million in H.2.

Tough choice #5 for lawmakers is to determine whether using gaming revenue to pay existing debt service costs instead of accelerating the state's debt payment schedule as contemplated when the gaming law was adopted. The original gaming law envisioned, "the reduction of risk in the commonwealth's debt portfolio" and "payments to decrease the unfunded pension liability."[25]

If legislators decided this was not an appropriate use of revenue, they would need to consider other options to make up the resulting gap.

High-Cost Drug Penalties

In October 2019, Gov. Baker introduced a comprehensive health care reform package that proposed major changes to the way health care is delivered in Massachusetts.[26] Prominent among the reforms was a new penalty on drug manufacturers for excessive price increases. The governor's budget includes a revenue estimate of approximately $19 million as a result of this penalty.

Tough choice #6 is whether to adopt the portion of the governor's health care bill related to excessive drug price increases or some variation of the plan. If last year's

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[23] For more information, see *Technical Backgrounder: Gaming Tax Revenue in the Commonwealths Budget*, Massachusetts Taxpayers Foundation, May 1, 2019.

[24] Office of the Massachusetts Comptroller *Non-Budgeted Special Revenue and Trusts database*, accessed February 18, 2020.

[25] Chapter 194 of the Acts of 2011, Section 59(i)

[26] H.4134, *An Act to Improve Health Care by Investing in Value*.

debate about the governor's plan to allow MassHealth to purchase pharmaceuticals directly from manufacturers is any indication, the provision will be subject to robust debate and lobbying efforts at the State House.[27] A similar discussion is likely for this new proposal. Should the legislature not enact the change, they will need to account for $19 million in decreased revenue.

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[27] *Biotech industry encouraged by rewrite of Medicaid drug pricing plan*, Chris Lisinski, State House News. April 24, 2019.

Additional Spending

Early Education and Care

H.2 makes a significant new investment at the Department of Early Education and Care (EEC). The governor's plan includes additional resource to support new child care vouchers for families involved with the Department of Children and Families (DCF) and the Department of Transitional Assistance (DTA) as well as $10 million to revise the methodology for distributing child care subsidies.[28]

In recent years, EEC has struggled to deploy the resources available to the agency. Though total spending jumped nearly 8 percent in fiscal 2019 compared to fiscal 2018, more than 6 percent of total resources available to EEC went unspent at the end of the year.

EEC Historical Spending Summary

Fiscal Year	Actual Spent	$ Change	% Growth	Trend (4YR CAGR)	Unspent Available Resources
2006	470.5				2.3%
2007	506.8	36.3	7.7%		0.8%
2008	549.9	43.1	8.5%		0.3%
2009	560.3	10.4	1.9%		1.2%
2010	513.5	-46.7	-8.3%	2.2%	1.7%
2011	515.1	1.6	0.3%	0.4%	1.0%
2012	494.3	-20.8	-4.0%	-2.6%	2.5%
2013	483.6	-10.6	-2.2%	-3.6%	3.2%
2014	509.8	26.2	5.4%	-0.2%	2.7%
2015	538.0	28.1	5.5%	1.1%	2.7%
2016	547.8	9.9	1.8%	2.6%	2.9%
2017	540.0	-7.8	-1.4%	2.8%	4.9%
2018	564.3	24.3	4.5%	2.6%	4.5%
2019	607.5	43.2	7.7%	3.1%	6.2%

Figures in $ millions unless otherwise noted.

Note: Data from MA Comptroller CTHRU

Figure 6: Department of Early Education and Care spending summary

[28] As described in the *Governor's FY2021 Budget Recommendations: Fiscal Health and Prospects*, Early Education section.

Including the impact of anticipated beginning and ending balances as well as revenue, this expansion has a net fiscal cost of $63 million compared to the MTF model.

Higher Education

Costs associated with providing higher education are anticipated to grow faster in fiscal 2021 than assumed in the MTF model. This variance adds $23 million in net costs to H.2 compared to the MTF model.

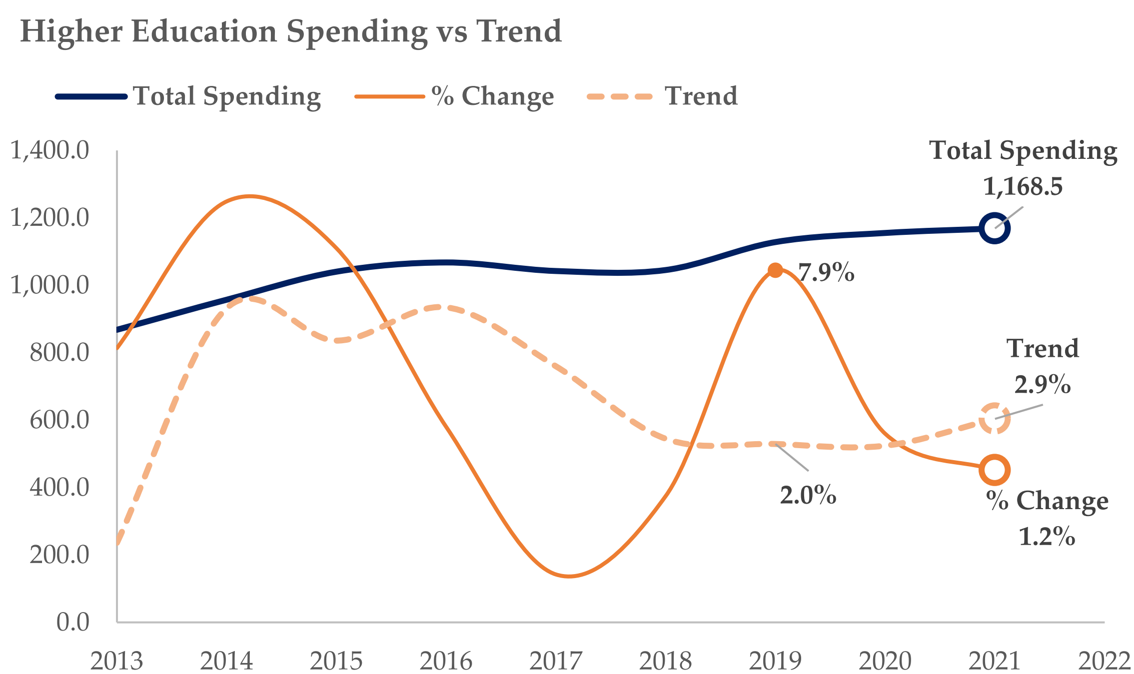

Figure 7: Higher education spending vs trend

During the fiscal 2020 budget development process, the Senate Committee on Ways and Means added policy language to the University of Massachusetts spending item mandating a tuition freeze. Though the change was not included in the final budget document, the proposal generated substantial controversy between legislators and UMass administrators. If a similar discussion repeats in fiscal 2021, higher education funding could again become a more difficult issue for legislators.

Other HHS

One area of the state budget that has grown quickly but not received much attention in recent years is so-called "other health & human services", such as programs delivered by the Department of Developmental Services (DDS), the Department of Mental Health (DMH), and the Department of Public Health (DPH). As filed in H.2, this sector of the budget is anticipated to spend nearly $7 billion in fiscal 2021, representing trend growth of nearly 6 percent as depicted in Figure 8.

According to the Executive Office of Health & Human Services, the governor's proposal supports several new initiatives including a new rate methodology for determining payments to human service providers, further investments related the opioid epidemic, efforts to use technology more effectively at DDS, and additional funding to address vaping.[29]

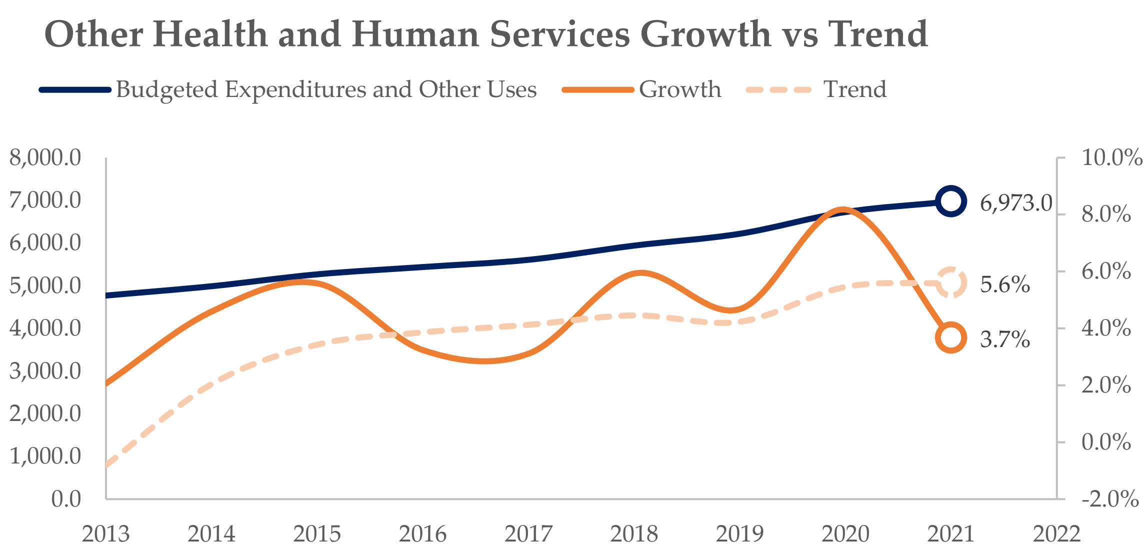

Figure 8: Other Health and Human Service (excluding MassHealth) spending, FY13-FY19 Actuals, FY20-21 Estimates.

The net fiscal cost of other health and human service programs exceeds the MTF model by $21 million.

TNC Fee/DOT

The governor's budget proposes to increase transportation spending at both the Massachusetts Department of Transportation (MassDOT) and the MBTA by increasing the per-ride fee on Transportation Network Companies (TNCs, e.g. Uber or Lyft) from 20 cents to one dollar. Of the 80-cent increase, 20 cents would be distributed to municipalities while the rest of the increase, estimated to generate $73 million, will support new spending to improve public transit safety, reduce traffic congestion, and a range of other efforts.

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[29] *Governor Baker's FY2021 Budget Proposal*, Commonwealth of Massachusetts Executive Office of Health & Human Services. January 22, 2020.

Both the shortcomings and proposed solutions for the state's transportation system have been well documented in recent months. For example, MTF partnered with thirteen other groups to form The Transportation Table (T3) initiative in 2019, offering policymakers a host of recommendations across five key areas, including governance structures, addressing traffic congestion, increasing the capacity of the public agencies like MassDOT and MBTA to deliver capital projects, climate change mitigation and resilience, and increasing the amount of dedicated revenue for transportation programs.[30]

In response to recommendations offered by MTF and others, policymakers proposed a transportation finance reform package on February 26, 2020 that increases taxes and fees on gasoline, diesel, transportation network companies, and other initiatives.[31] Legislators will determine how this plan interacts with the fiscal 2021 budget and the extent to which spending choices are impacted by the reform proposal. Together, these decisions represent **tough choice #7.**

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[30] For more information, see *The Transportation Table (T3) Overview of Recommendations*, The Transportation Table, November 2019.

[31] *Mass House leaders propose gas tax increase, raising fee on Uber, Lyft rides*. Matt Stout and Adam Vaccaro. Boston Globe. February 26, 2020.

Budget Solves

<u>MassHealth Timing Shift</u>

The Commonwealth provides health care benefits to more than 1.8 million Massachusetts residents through MassHealth, the combination of federal Medicaid and the Children's Health Insurance Program (CHIP).

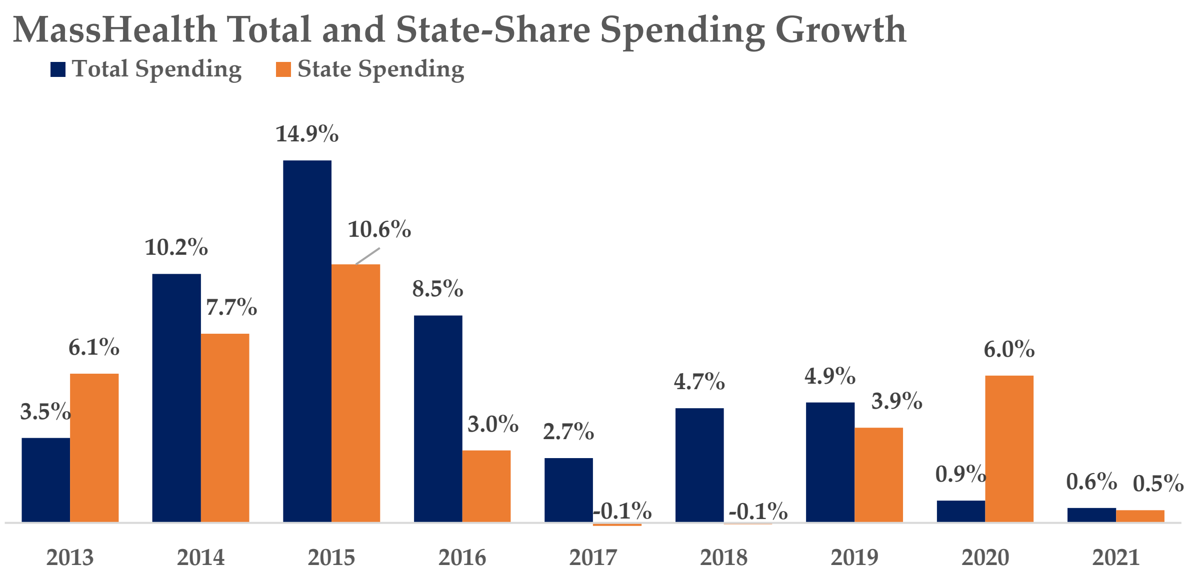

Figure 9: MassHealth annual spending growth, FY10-FY19 actuals, FY20-21 estimates. Includes revenue from the enhanced Employer Medical Assistance Contribution (EMAC).

The enactment of the Affordable Care Act (ACA) brought about big changes in MassHealth that, in concert with the troubled launch of the Health Connector website, caused program costs to skyrocket in fiscal 2014-2015 with total annual spending growth rates of 10 and 15 percent, respectively, as shown in Figure 9.

Numerous efforts to reduce costs and ensure program integrity have slowed the annual rate of growth in recent years. In fiscal 2021, the governor's budget recommendation assumes total growth rates of less than one percent in both fiscal 2020 and fiscal 2021. Part of the way the Administration has affected MassHealth growth rates is shifting certain payments from the coming fiscal year to the current year. The MassHealth figures are impacted by a "timing shift" in fiscal 2019-2020 and the shift assumed in the governor's budget recommendation for fiscal 2020-2021.

MassHealth Growth Comparison				
Including FY20/FY21 Timing Shift	2020	2021	$ Change	% Change
Total Spending	16,670.4	16,772.1	101.7	0.6%
Revenue Offsets	9,965.1	10,031.8	66.7	0.7%
Net Spending	6,705.3	6,740.3	35.0	0.5%
Excluding FY20/FY21 Timing Shift				
Total Spending	16,490.4	16,872.1	381.7	2.3%
Revenue Offsets	9,885.1	10,031.8	146.7	1.5%
Net Spending	6,605.3	6,840.3	235.0	3.6%
Difference				
Total Spending	180.0	-100.0		
Revenue Offsets	80.0	0.0		
Net Spending	100.0	-100.0		

Figures in $ millions unless otherwise noted.

Revenue offsets include enhanced EMAC

Figure 10: MassHealth gross and net spending, FY20 estimated spending and FY21 H.2 spending.

This plan moves certain program costs that would normally be paid in fiscal 2021 to fiscal 2020. This action artificially reduces the growth rate between the two years and makes it more difficult to understand the underlying trends in MassHealth spending. Adjusted for timing shift, the net cost of the state's largest program is growing nearly 4 percent in fiscal 2021. Much of this growth is related to scheduled reductions in federal reimbursement rates that push more of the costs associated with MassHealth to the Commonwealth, including decreases related to matching assistance for the Children's Health Insurance Program (CHIP) and the Federal Medical Assistance Percentages (FMA) for the Affordable Care Act (ACA) expansion population.

Though a similar proposal was adopted last year with little fanfare, whether to continue the timing shift practice stands as **tough choice #8** in fiscal 2021 for several reasons. First, the move creates a structural gap in fiscal 2022 and will force lawmakers to raise new revenue or cut spending to re-align recurring revenue and spending in the future. Second, though policymakers upgraded the tax revenue estimate for fiscal 2020 during the consensus tax revenue process, the fiscal 2020 financial statement filed with H.2 shows the state's current year finances out of balance by $107 million. Fiscal 2020 would be in balance were it not for timing shift. Third and perhaps most importantly, MassHealth is a large, complicated program governed by a web of federal and state laws, regulations, and judicial rulings that spends more than $16 billion annually and provides 25 percent of the state's residents with health care benefits. Timing shift exacerbates the difficulty of efforts to evaluate policy changes.

If legislators choose not to pursue timing shift, they will need to identify an additional $100 million in net changes to rebalance the fiscal 2021 budget.

Student Opportunity Act/Education Finance Reform

Coming immediately after the enactment of the Student Opportunity Act (SOA), the largest set of changes to the Commonwealth's education cost sharing program for public education in state history, education funding was certain to be the central element of the fiscal 2021 budget process.

The SOA was rooted in the final report of the Foundation Budget Review Commission (FBRC), a 2015 panel that analyzed the major assumptions and trends in education finance, to identify shortcomings of the formula used to distribute education aid to cities and towns in Massachusetts known as Chapter 70.[32] The FBRC report recommended changes to the way the formula accounted for the costs of current and former employee health insurance, special education, English language learners, and low-income students.

Gov. Baker and the legislature made progress toward the FBRC recommendations starting in fiscal 2018 with the so-called "down payment" for education finance reform. In fiscal 2018, the payment rates associated with employee health care costs were increased as the first step of a seven-year phase in schedule.[33] In fiscal 2019, the English language learner rate was converted to an incremental rate and the associated rates were increased on a two-year implementation plan.[34] In fiscal 2020, changes were made across all four reform categories and the implementation schedule was reset to phase in all changes over a new seven-year timeframe.[35]

The SOA built on the FBRC recommendations with new rates for all four categories and a host of changes to various elements of the formula, such as expanding the definition

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[32] *Final Report of the Foundation Budget Review Commission*, October 30, 2015.

[33] *FY18 Chapter 70 Aid and Net School Spending Requirements* , Department of Elementary and Secondary Education, July 17, 2017.

[34] *FY19 Chapter 70 Aid and Net School Spending Requirements*, Department of Elementary and Secondary Education, July 26, 2018.

[35] *FY20 Chapter 70 Aid and Net School Spending Requirements* July 31, 2019.

of low-income students from those students coming from households with income below 133 percent of the federal poverty level to 185 percent. The Department of Elementary and Secondary Education (DESE) projected SOA would increase education spending by $427 million in fiscal 2021 compared to fiscal 2020 and $2.1 billion by fiscal 2027, the final year of a new seven-year implementation schedule included in the law.[36]

The legislature unanimously approved the SOA and Gov. Baker signed the measure into law on November 26, 2019.[37] The signature caveat of the reform, however, is that it did not identify new revenue or offsetting spending cuts to support the new investment, calling into question whether policymakers will be able to keep the promises of education finance reform in the future.

In H.2, Gov. Baker recommended approximately $5.48 billion in Chapter 70 spending, an additional investment of $303 million, or an increase of nearly 6 percent, compared to fiscal 2020 estimated spending. As noted by DESE, this incorporates higher rates across several categories and the expanded definition of low-income students described above.[38]

Unlike other categories, however, higher incremental rates for low-income students in H.2 represents only 4 percent of the progress toward full implementation, rather than 14 percent (based on a seven-year implementation schedule). The Baker Administration and DESE argue that the difference is mandated by Section 30 of the SOA, which requires the changes be implemented "in an equitable and consistent manner".[39] Critics counter that the proposal shortchanges poor students and makes it more difficult to deliver on the promised additional funding in the future.[40]

The MTF model used the original DESE figures, reflecting an increase of $427 million compared to fiscal 2020, as the anticipated cost for fiscal 2021. The variance between the original DESE figures and H.2 is a combination of the Section 30 "smoothing" described

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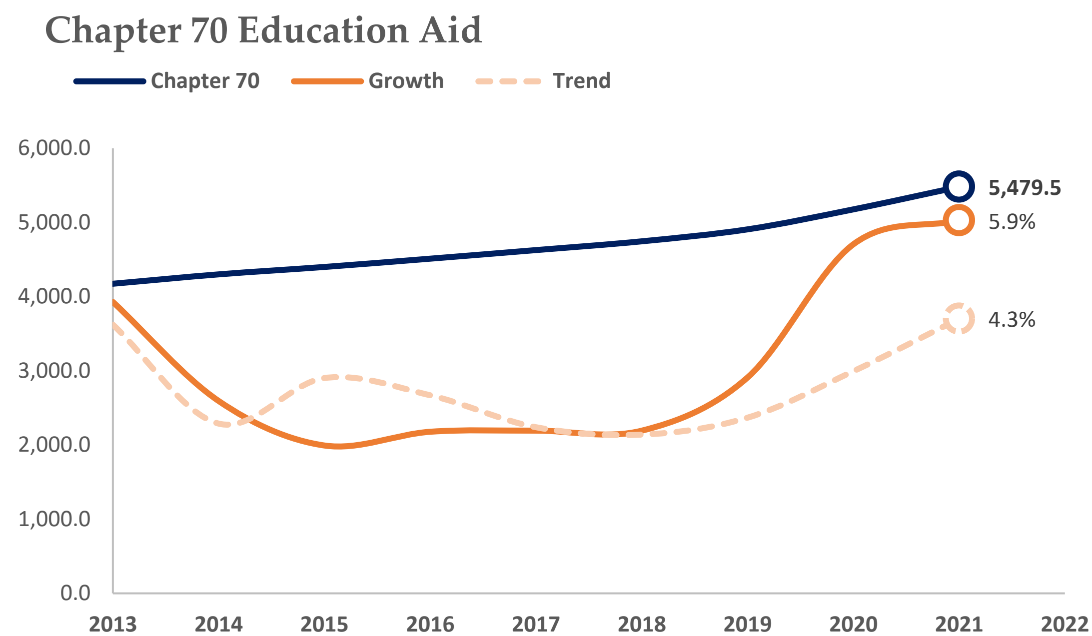
[36] *District $$$ Impact Unclear Ahead of Senate Ed Debate*, Matt Murphy, State House News, October 2, 2019.
[37] *Baker Signs $1.5 Billion Education Bill*, Chris Lisinski, State House News, November 26, 2019 and *Bill Pledging Ed Funding Increase Unanimously Approved*, Chris Lisinski and Katie Lannan, State House News, November 20, 2019.
[38] *FY21 Preliminary Chapter 70 Aid and Net School Spending Requirements*, Department of Elementary and Secondary Education, January 22, 2020.
[39] *An Act Relative to Educational Opportunity for Students*, Chapter 132 of the Acts of 2019, Section 30.
[40] For example, *Baker budget doesn't keep state's commitment to poor students, critics say*, Jenna Russell, Boston Globe. February 18, 2020.

above and differences between assumed and actual inflation and student enrollment figures, which reduced the required increase to Chapter 70.



Legislators face **tough choice #9,** arguably the most difficult choice of the entire budget, as they decide whether the governor's plan adheres to the spirit of the education finance reform law. If they agree with the governor, then the executive and legislative branches are aligned on the key issue of the fiscal 2021 budget and the final product will look like H.2. If they disagree, then they will need to determine how much additional funding to add to Chapter 70 and how to pay for it.

MTF will analyze this issue in further detail in the coming weeks.

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Structural Changes/Other

Earmarks/One-Time Spending

H.2 includes 103 spending line items for which the variance between fiscal 2020 estimated spending and fiscal 2021 proposed spending is justified by the comment, "Eliminated FY20 one-time costs."[41] For example, in the line item that supports the Archives Division at the Secretary of the Commonwealth (0511-0200) included language earmarking $200,000 for, "preservation matching grants for municipalities and nonprofit organizations to preserve veterans monuments, memorials, and other significant sites and documents."[42] H.2 excludes this language and the associated funding.

The MTF model was based on long-term trends in actual spending, which implicitly include earmarks and other "one-time" costs in any given year. As a result, some of the difference between the long-term trend for any given line item, as represented by the MTF model, and the H.2 proposed figure is the value of the "eliminated" one-time costs.

In order to estimate an approximate value for the impact of these differences, MTF calculated the variance between H.2 and the MTF model in the 103 spending accounts noted above. This calculation suggests backing out legislative earmarks and other one-time spending reduced the cost of H.2 by nearly $195 million.

Tough choice #10 for legislators is how many earmarks and other spending items to add to the fiscal 2021 budget and how to pay for those added initiatives.

Legislative earmarks are often criticized, but they are a component of the budget process. At the federal level, legislators often cite a 2011 ban on earmarks as one of the causes of increased partisanship and a shift of power from the legislative to the executive branch.[43] Further, legislators, state agencies, and stakeholders may disagree about the extent to which funding for certain programs and initiatives was considered "one-time" in nature.

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[41] Governor's Budget Recommendation for FY2021, Line Item Summary.

[42] Fiscal 2020 General Appropriations Act. Chapter 41 of the Acts of 2019.

[43] For example, *The bipartisan movement to bring earmarks back in Congress*, Matt Loffman, PBS. March 2, 2018.

One strategy employed to afford such items in the past is to underfund other accounts by including an appropriation level for a line item (or set of line items) that is inadequate to support current operations without accompanying policy reforms. For example, legal aid for the indigent (Committee for Public Counsel Services, or CPCS) has been underfunded in recent budgets as depicted in Figure 11.

CPCS Funding Summary					
Fiscal Year	2015	2016	2017	2018	2019
General Appropriations Act	167.8	170.6	172.8	172.8	244.0
Actual Spending	203.1	214.5	232.8	232.2	248.0
Variance	-35.2	-43.8	-60.1	-59.4	-4.0

Figures in $ millions.

Figure 11: History of underfunded legal aid for the indigent, FY15-FY19

Underfunding accounts is a poor budgeting practice that adds risk to the fiscal outlook and may impact the orderly delivery of state services. MTF discourages policymakers from using this approach in the fiscal 2021 budget.

Model Variances & All Other Changes

The MTF model did not reflect fiscal 2021 spending supported by fiscal 2020 resources. This difference reduced the projected cost of fiscal 2021 by $53 million compared to the MTF model.

The MTF model, like any budget model, relied on numerous assumptions and calculations to generate an initial outlook for fiscal 2021. As noted in the summary, this approach was more complicated than normal due to the delayed passage of a supplemental appropriations bill allocating the fiscal 2019 budget surplus which in turn delayed publication of the final accounting for fiscal 2019 (Statutory Basis Financial Report), and an unusually long duration between updates to the Commonwealth Information Statement.

Further analysis revealed several notable shortcomings in the MTF model in comparison to H.2. For example, the model did not represent gaming revenue accurately. If modeled appropriately, this added $191 million in additional revenue, reducing the initial gap. Conversely, the model also did not phase out revenue from the enhanced Employer Medical Assistance Contribution (EMAC). Characterized correctly, this reduces the amount of available by $187 million in the model, adding to the initial gap. In total, these changes were largely offsetting, with a net negative impact on balance of approximately $28 million.

All other variances between the MTF model and H.2 not mentioned above had a net impact of approximately $2 million. This includes a wide array of differences, such as additional spending investments at the Executive Office of Technology Services and Security (TSS) with a net cost of $18 million and additional fines, fees, and penalties revenue collected by the Department of Public Utilities that adds approximately $16 million in net new revenue.

Summary: Ten Tough Choices

Ten Tough Choices in the Fiscal 2021 Budget	
1	Tax Revenue Assumptions
2	Accelerated Sales Tax Remittance
3	Tax-Related Settlements & Judgments
4	Sports Wagering
5	Gaming Revenue
6	High Cost Drug Penalties
7	TNC Fee Hike/Transportation Funding
8	MassHealth Timing Shift
9	Education Finance Reform Implementation
10	Earmarks & Underfunded Accounts

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Conclusion: The Long-Term View

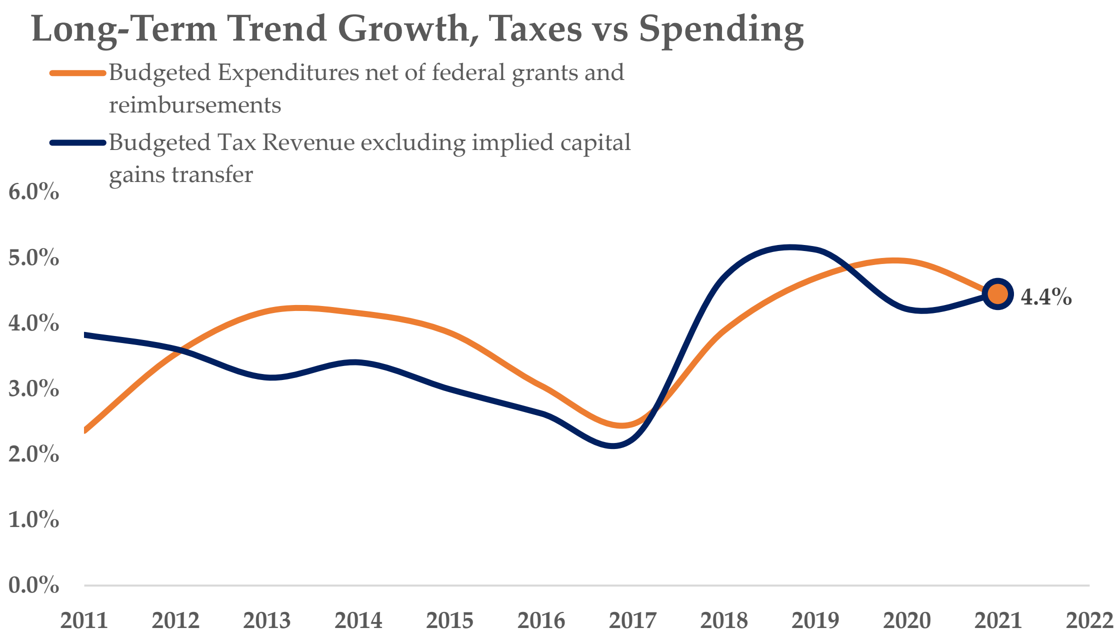

Figure 12: Long-term tax revenue and spending trends based on rolling nine-year compound annual growth rate (CAGR), FY2011-FY2019 Actuals. FY2020-FY2021 Estimates.

The governor's budget proposal highlights the continued long-term tension between revenue and spending in recent years. After several years of a spending growth trend that exceeded the declining tax growth trend, federal tax reform and faster economic growth created the budget surpluses of fiscal 2018-2019. Surpluses came despite rising spending that is on track to outpace tax growth in fiscal 2020. As proposed, the governor's budget attempts to bend both long-term curves into alignment in fiscal 2021.

More broadly, however, the longer view highlights the need for structural changes to the state's finances to better align revenue and spending. In terms of revenue, the Senate Tax Revenue Working Group organized by Senate President Karen Spilka and Senator Adam Hinds is taking a comprehensive look at modernizing the state tax code to produce more stable tax revenue and support state spending. The fiscal picture presented by the governor's budget recommendation highlights the importance of this work.

Efforts to manage spending growth must also continue. The more controlled growth of MassHealth in recent years has been helpful, but more work must be done to address rising costs associated with pensions, other post-employment benefits (OPEB), and other health and human services.

After the consensus tax revenue agreement, the governor's budget recommendation marks the second major step in the annual budget development process for state fiscal year 2021, which begins July 1, 2020. The legislature is responsible for most of the rest of the process, including constructing their own budgets, deliberating those proposals with each chamber's full membership, and voting to approve the plans.

Budget writers face the challenge of balancing important policy priorities with the statutory requirement for a balanced budget. Though never easy, the fiscal 2021 budget development process is more difficult than recent years due to the forecast of low-growth tax revenue mixed with new spending commitments like education finance reform and increasing fiscal pressure from perennial budget busters like MassHealth and the annual contribution to the state pension system. The legislature's answers to the ten tough choices highlighted here will define the fiscal 2021 budget and shape the Commonwealth's future in the coming fiscal year.

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Methodological Notes

Appendix I: High-Level Comparison of MTF model vs H.2

In advance of the governor's budget recommendation, MTF constructed a budget model for fiscal 2021 in order to compare the long-term trends in state spend growth with the forecasts of low-growth tax revenue offered by MTF, DOR, BHI, and Professor Alan Clayton-Matthews at the December 4, 2019 consensus tax revenue hearing. As described in the MTF brief, this analysis suggested anticipated spending would exceed revenue by $880 million.[44]

The reports included here in Appendix I provide a high-level comparison of the MTF model and H.2.

H.2 vs FY21 Projected Spending

The reports comparing the MTF model to the governor's budget recommendation for fiscal 2021 depict total projected spending (abbreviated as FY21 Proj in the Appendix I reports). This measure includes the spending appropriations requested in the H.2 proposal and spending that does not require further appropriation by the legislature, such as the annual contribution to the state pension system. Similarly, the transfer of expected capital gains tax revenue above the statutory threshold to the Stabilization Fund is shown in this view as an expenditure because it is an outflow from CNS funds as described above to a non-CNS fund.

FY20 Adjusted GAA

The General Appropriations Act (GAA) adopted by the legislature and approved by Gov. Baker on July 31, 2019 appropriated $43.6 billion.[45] However, as noted above, state spending authorized in other legislation is not included in the GAA. The FY20 Adjusted GAA adds other authorized spending to the GAA total to approximate total anticipated spending at time of the GAA's enactment.

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[44] For more information, see *First Look: Tough Choices Ahead in Fiscal 2021* by the Massachusetts Taxpayers Foundation, January 15, 2020.

[45] For more information about the FY20 GAA, see *Analysis: Fiscal 2020 Budget Vetoes*, Massachusetts Taxpayers Foundation, August 2, 2019.

Breakdown by spending category

Spending category represents a high-level summary of the object class hierarchy described in the Massachusetts Comptroller's Expenditure Classification Handbook.[46] Wages and salaries includes state employee compensation, contracted employee services, and consultant contracts. Employee benefits includes state employee related expenses as well as pension and insurance-related expenditures. Operating expenses includes administrative expenses, facility expenses, energy costs, programmatic operational services, equipment purchases, equipment rental, maintenance and repair, construction costs, loans and repayments, and information technology expenses. Safety net includes human and social purchased services and entitlement programs. The grants and subsidies category describes payments to cities and towns as well as nonprofit organizations. Other includes all other spending areas.

Consolidated Net Surplus Funds

The comptroller determines the Consolidated Net Surplus, the undesignated ending balance in budgeted funds not specifically excluded from the calculation, at the end of each fiscal year pursuant to statute.[47] The governor's budget recommendation anticipates revenue or spending in eight funds included in the CNS calculation as depicted in Figure 13. This calculation excludes a small number of non-CNS funds as depicted in Figure 14. Note that revenue and spending in the intragovernmental service fund (ISF), generated as the result of state agencies providing services to each other, is excluded completely.

[46] For more information, see *Commonwealth of Massachusetts Office of the Comptroller Expenditure Classification Handbook*, Office of the State Comptroller.

[47] M.G.L. Chapter 29 § 5C

Funds Included in Consolidated Net Surplus Calculation		
Fund	*Fund Name*	*FY21 Est*
0010	General Fund	45,856.3
0103	Commonwealth Transportation Fund	2,194.3
1150	Gaming Local Aid Fund	134.2
2001	Marijuana Regulation Fund	106.2
1151	Education Fund	29.5
2003	Underground Storage Tank Petroleum Produ	23.1
1153	Gaming Economic Development	20.3
1106	Local Capital Projects Fund	9.6
Total	**CNS Funds**	**48,373.6**

Figures in $ millions.

Figure 13: Budgeted funds included in the Consolidated Net Surplus calculation

Funds Excluded from Consolidated Net Surplus Calculatior		
Fund	*Fund Name*	*FY21 Est*
0114	Inland Fisheries and Game Fund	19.0
0116	Marine Recreational Fisheries Developmen	1.9
0090	Public Safety Training Fund	1.0
Total	**Non-CNS Funds**	**22.0**

Figures in $ millions.

Figure 14: Budgeted funds not included in the Consolidated Net Surplus calculation

About MTF

The Massachusetts Taxpayers Foundation is a non-partisan research organization that serves as the independent source of information for the Commonwealth's decision-makers. Founded in 1932, MTF's mission is to provide accurate, unbiased research with balanced, thoughtful recommendations that strengthen the state's finances and economy in order to foster the long-term wellbeing of the Commonwealth.

MTF contributes to the public policymaking dialogue in four major ways, including an annual forecast of tax revenue provided as part of the state's consensus tax revenue deliberations, budget planning and tracking, policy research on major issues such as transportation financing, the opioid epidemic, the income surtax, and migration trends, and supporting policymakers and opinion leaders with high-quality analysis.

Commonwealth of Massachusetts

Financial Summary

Figures in $ millions in CNS funds.

FY21 Projected Spending — 48,373.6

Growth over		$ change	% change
FY20 Adjusted GAA	46,975.4	1,398.2	3.0%
FY20 Estimate	47,796.1	577.5	1.2%
FY21 MTF Model	48,380.2	(6.6)	0.0%

Topline Notes

>Solves: revenue assumptions/changes $567M; spending/other items $319M
>FY21Proj eliminates earmarks/one-time spending with est value of $195M
>Taxes: Consensus agreement added $124M and adjustments add $311M

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Executive Office of Health and Human Services	24,550.7	24,432.8	(117.9)	-0.5%
Executive Office of Education	9,657.9	9,599.8	(58.1)	-0.6%
Non-Executive Agencies	8,484.5	8,503.3	18.8	0.2%
Executive Office for Administration and Finance	2,603.0	2,645.9	42.9	1.6%
Executive Office for Public Safety and Security	1,254.7	1,317.7	63.0	5.0%
Massachusetts Department of Transportation	785.1	853.4	68.4	8.7%
Executive Office of Housing and Economic Development	643.9	605.6	(38.3)	-5.9%
Executive Office of Energy and Environmental Affairs	266.6	278.1	11.5	4.3%
Executive Office of Labor and Workforce Development	97.5	80.1	(17.4)	-17.8%
Executive Office for Technology Services and Security	36.3	56.8	20.5	56.5%
Total Estimated Spending	**48,380.2**	**48,373.6**	**(6.6)**	**0.0%**

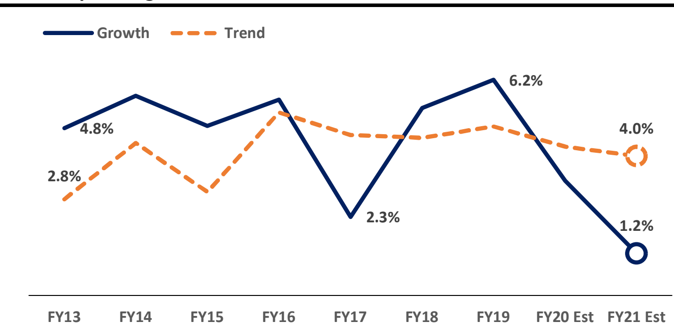
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
20,342	300	1,391	22,033
15,014	11,197	300	26,511
18,380	325	44	18,749
2,114	327	11	2,452
8,095	107	247	8,450
0	3,584	0	3,584
765	131	40	936
1,793	609	217	2,619
347	40	623	1,009
409	0	0	409
67,258	**16,620**	**2,873**	**86,751**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	5,832.5	5,952.1	119.6	2.0%
Employee Benefits	5,550.1	5,612.4	62.3	1.1%
Operating Expenses	1,689.8	1,800.9	111.1	6.6%
Safety Net	24,149.8	24,219.7	69.9	0.3%
Grants & Subsidies	8,484.6	8,138.1	(346.4)	-4.1%
Debt Service, Pensions, and Other	2,673.4	2,650.4	(23.0)	-0.9%
Total	**48,380.2**	**48,373.6**	**(6.6)**	**0.0%**

FY21 Est Spending Growth vs Trend



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	65.4	112.0	46.6	71.2%
Federal Reimbursements	12,124.8	11,983.4	(141.4)	-1.2%
Departmental revenue	4,697.0	4,828.7	131.7	2.8%
Transfers from Authorities	1,785.3	2,203.9	418.6	23.4%
Reserve for Future Spending	(65.4)	(77.7)	(12.3)	18.8%
Subtotal, Non-Tax Revenue	18,607.1	19,050.2	443.2	2.4%
Implied Tax-Supported Spending	***29,773.1***	***29,323.4***	***(449.7)***	***-1.5%***
Projected Tax Revenue Available	28,888.9	29,324.0	435.1	1.5%
Consolidated Net Surplus/(Deficit)	**(884.3)**	**0.6**	**884.9**	**-100.1%**

Secretariat **Executive Office of Health and Human Services**
ID **EHS**

Figures in $ millions in CNS funds.

FY21 Projected Spending		**24,432.8**	
Growth over		$ change	% change
FY20 Adjusted GAA	23,985.4	447.4	1.9%
FY20 Estimate	24,171.8	261.1	1.1%
FY21 MTF Model	24,550.7	(117.9)	-0.5%

Topline Notes

>MassHealth shifts spending of $100M to FY20; 3.6% net growth w/o shift
>MassHealth variance with MTF model results from solve (timing shift)
>Non-MassHealth spending increases 3.7% over fiscal 2020 estimates

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
MassHealth	17,030.6	16,772.1	(258.5)	-1.5%
Department of Developmental Services	2,149.3	2,146.6	(2.7)	-0.1%
Department of Children and Families	1,088.7	1,085.5	(3.3)	-0.3%
Department of Mental Health	931.9	910.7	(21.2)	-2.3%
Department of Public Health	672.3	710.0	37.7	5.6%
all others	2,677.9	2,807.9	130.0	4.9%
Total Estimated Spending	**24,550.7**	**24,432.8**	**(117.9)**	**-0.5%**

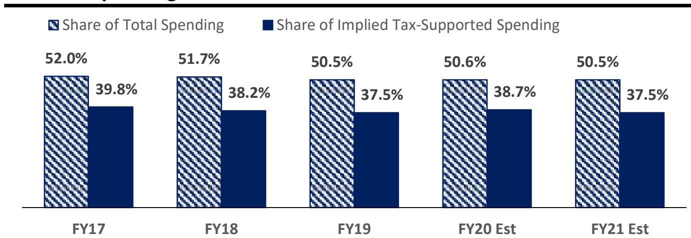
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
138	7	0	145
5,833	0	0	5,833
4,213	0	31	4,244
3,240	11	4	3,255
2,065	150	647	2,862
4,853	132	709	5,694
20,342	**300**	**1,391**	**22,033**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	1,565.9	1,687.1	121.2	7.7%
Employee Benefits	65.3	68.4	3.1	4.8%
Operating Expenses	481.6	613.7	132.1	27.4%
Safety Net	22,180.8	22,002.9	(177.9)	-0.8%
Grants & Subsidies	255.6	54.1	(201.5)	-78.8%
Other	1.6	6.7	5.1	324.5%
Total	**24,550.7**	**24,432.8**	**(117.9)**	**-0.5%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	11.0	11.0	n/a
Federal Reimbursements	11,804.4	11,640.0	(164.4)	-1.4%
Departmental revenue	1,433.9	1,714.1	280.2	19.5%
Transfers from Authorities	19.8	64.6	44.8	226.9%
Reserve for Future Spending	0.0	0.0	0.0	n/a
Subtotal, Non-Tax Revenue	13,258.0	13,429.7	171.6	1.3%
Implied Tax-Supported Spending	**11,292.7**	**11,003.2**	**(289.5)**	**-2.6%**

Other Notes

1) "All others" spending includes reserve for non-profit employee pay raises of $160 million (Ch 257)
2) MassHealth spending assumes caseload of 1.9M members, 0.7% above FY20 estimated levels
3) Most MassHealth administrative FTEs appear in "all others" category; not included as program cost
4) MassHealth effective reimbursement rate (including drug rebates, etc) is 60% in FY21, same as FY20
5) FY21 Proj eliminates earmarks/one-time spending with est value of $31M

Secretariat **Executive Office of Education**
ID **EDU**

Figures in $ millions in CNS funds.

FY21 Projected Spending		**9,599.8**	
Growth over		$ change	% change
FY20 Adjusted GAA	9,116.5	483.4	5.3%
FY20 Estimate	9,235.8	364.0	3.9%
FY21 MTF Model	9,657.9	(58.1)	-0.6%

Topline Notes

>Education reform/Student Opportunity Act costs $106M below MTF model
>FY21 Proj eliminates earmarks/one-time spending with est value of $52M
>EEC rates expansion increases net cost vs MTF model by $63M

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Local Aid	6,795.7	6,695.0	(100.7)	-1.5%
Department of Elementary and Secondary Education	795.5	783.2	(12.4)	-1.6%
Department of Early Education and Care	713.1	761.9	48.7	6.8%
University of Massachusetts	567.0	570.8	3.7	0.7%
Community Colleges	300.1	310.5	10.4	3.5%
all others	486.4	478.5	(7.9)	-1.6%
Total Estimated Spending	**9,657.9**	**9,599.8**	**(58.1)**	**-0.6%**

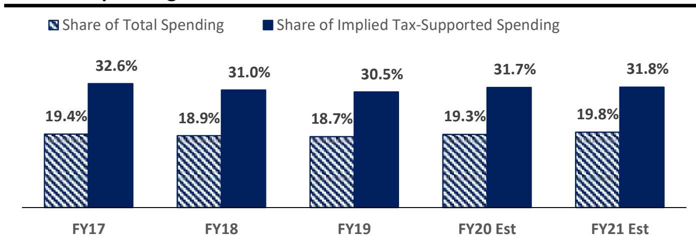
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
0	0	0	0
195	14	252	461
217	1	0	218
6,472	9,094	0	15,567
4,166	666	44	4,875
3,963	1,422	4	5,389
15,014	**11,197**	**300**	**26,511**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	1,248.3	1,261.7	13.5	1.1%
Employee Benefits	16.5	16.7	0.2	1.0%
Operating Expenses	46.0	57.0	11.0	23.9%
Safety Net	1,120.4	1,175.5	55.1	4.9%
Grants & Subsidies	7,226.5	7,088.9	(137.6)	-1.9%
Other	0.2	0.0	(0.2)	-100.0%
Total	**9,657.9**	**9,599.8**	**(58.1)**	**-0.6%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	13.0	13.0	n/a
Federal Reimbursements	260.8	252.4	(8.4)	-3.2%
Departmental revenue	12.8	16.4	3.6	28.2%
Transfers from Authorities	0.0	0.0	0.0	n/a
Reserve for Future Spending	0.0	(4.0)	(4.0)	n/a
Subtotal, Non-Tax Revenue	273.5	277.8	4.3	1.6%
Implied Tax-Supported Spending	**9,384.4**	**9,322.0**	**(62.4)**	**-0.7%**

Other Notes

1) Higher education increases net cost vs MTF model by $23 M
2) UGGA (unrestricted local aid) increases net costs vs MTF model by $23M due to model variance
3) Higher education FTEs supported by a mix of budgeted state funds and own-source revenue (tuition/fees)
4) 5,097 "All other" FTEs are employed by state universities and colleges
5) Local Aid includes Education Aid (Chapter 70), Unrestricted Aid to Local Govts (UGGA), and other

Secretariat **Non-Executive Agencies**
ID **NON**

Figures in $ millions in CNS funds.

FY21 Projected Spending		**8,503.3**	
Growth over		$ change	% change
FY20 Adjusted GAA	8,424.5	78.8	0.9%
FY20 Estimate	8,660.6	(157.3)	-1.8%
FY21 MTF Model	8,484.5	18.8	0.2%

Topline Notes

>Spending includes impact of excess cap gains xfer; net impact of $53M
>FY21 Proj eliminates earmarks/one-time spending with est value of $7M
>Debt service spending estimate below long-term trend growth in FY21

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Pensions and Other Transfers	3,446.2	3,393.1	(53.1)	-1.5%
Debt Service	2,604.4	2,570.8	(33.5)	-1.3%
Judiciary	807.1	810.0	3.0	0.4%
Sheriffs	654.2	679.9	25.7	3.9%
Committee for Public Counsel Services	256.8	261.5	4.7	1.8%
all others	715.8	788.0	72.1	10.1%
Total Estimated Spending	**8,484.5**	**8,503.3**	**18.8**	**0.2%**

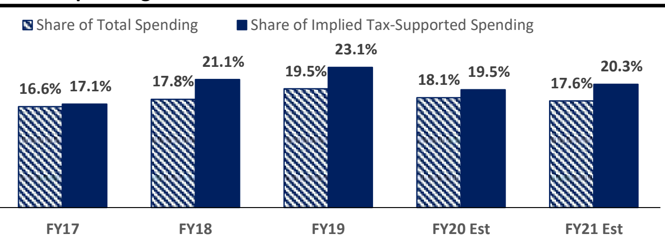
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
0	0	0	0
2	0	0	2
6,528	0	3	6,531
6,202	0	0	6,202
683	0	0	683
4,965	325	41	5,330
18,380	**325**	**44**	**18,749**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	1,614.8	1,564.6	(50.2)	-3.1%
Employee Benefits	3,181.1	3,191.3	10.2	0.3%
Operating Expenses	734.8	680.2	(54.6)	-7.4%
Safety Net	238.2	384.2	146.0	61.3%
Grants & Subsidies	47.4	45.8	(1.5)	-3.2%
Other	2,668.3	2,637.2	(31.1)	-1.2%
Total	**8,484.5**	**8,503.3**	**18.8**	**0.2%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	65.4	55.9	(9.5)	-14.5%
Federal Reimbursements	10.3	35.9	25.6	248.7%
Departmental revenue	782.5	830.3	47.8	6.1%
Transfers from Authorities	1,433.0	1,680.8	247.7	17.3%
Reserve for Future Spending	(65.4)	(55.9)	9.5	-14.5%
Subtotal, Non-Tax Revenue	2,225.8	2,547.0	321.2	14.4%
Implied Tax-Supported Spending	**6,258.7**	**5,956.3**	**(302.4)**	**-4.8%**

Other Notes

1) Forecasting Health Connector finances is particularly challenging; $82M net model variance
2) Revenue figures include $35M from sports wagering; additional $27M from tobacco settlement
3) MTF model overestimated revenue from unclaimed property trust; $50M net model variance
4) MTF model did not project gaming revenue accurately; $159M in model variance vs FY21 Proj
5) MTF model underestimated fringe/indirect revenue; $53M net model variance

Secretariat **Executive Office for Administration and Finance**
ID **ANF**

Figures in $ millions in CNS funds.

FY21 Projected Spending		**2,645.9**	
Growth over		$ change	% change
FY20 Adjusted GAA	2,627.1	18.8	0.7%
FY20 Estimate	2,573.1	72.8	2.8%
FY21 MTF Model	2,603.0	42.9	1.6%

Topline Notes

>FY21 Proj GIC program growth of 0.1% vs 1.4% trend; OPEB costs up 11%
>FY21 Proj eliminated earmarks/one-time spending with est value of $9M
>FY21 Proj includes $19M from proposed High Cost Drug Penalties

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Group Insurance Commission	2,198.4	2,263.6	65.2	3.0%
Department of Revenue	184.6	183.4	(1.2)	-0.6%
ANF Reserves	111.0	69.2	(41.8)	-37.6%
Human Resources Division	40.8	45.2	4.4	10.9%
Executive Office for Administration and Finance	30.7	31.1	0.4	1.3%
all others	37.6	53.4	15.8	42.1%
Total Estimated Spending	**2,603.0**	**2,645.9**	**42.9**	**1.6%**

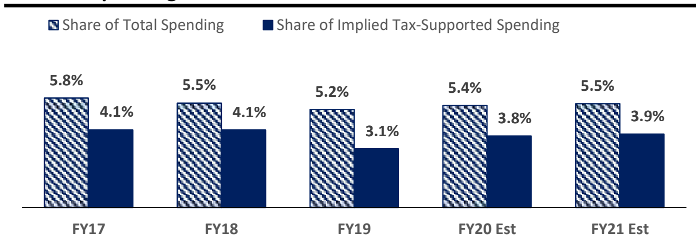
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
54	0	0	54
1,485	0	0	1,485
5	0	0	5
124	0	0	124
227	55	9	291
220	271	2	493
2,114	**327**	**11**	**2,452**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	225.4	231.0	5.6	2.5%
Employee Benefits	2,246.6	2,291.9	45.3	2.0%
Operating Expenses	66.5	66.3	(0.3)	-0.4%
Safety Net	8.7	21.4	12.7	145.7%
Grants & Subsidies	54.3	32.3	(22.0)	-40.5%
Other	1.5	3.1	1.6	104.1%
Total	**2,603.0**	**2,645.9**	**42.9**	**1.6%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	11.3	11.3	n/a
Federal Reimbursements	47.5	50.9	3.4	7.1%
Departmental revenue	1,179.9	1,128.4	(51.5)	-4.4%
Transfers from Authorities	303.0	317.5	14.4	4.8%
Reserve for Future Spending	0.0	0.0	0.0	n/a
Subtotal, Non-Tax Revenue	1,530.4	1,508.0	(22.4)	-1.5%
Implied Tax-Supported Spending	**1,072.6**	**1,137.9**	**65.3**	**6.1%**

Other Notes

1) "all others" FTEs are 271 DCAMM employees on capital spending accounts
2) 606 DOR employees in the Child Support Enforcement Division; Partially reimbursed by federal gov't
3) ANF Reserve accounts support anticipated costs not able to be allocated to agencies; volatile category
4) MTF model included GIC in "All Other"; Caused net model variance with an impact of $107M on balance
5) MTF model did not fully back out sale of EJ Sullivan Courthouse ($15M) in FY21

Secretariat **Executive Office for Public Safety and Security**

ID **PUB**

Figures in $ millions in CNS funds.

FY21 Projected Spending **1,317.7**

Growth over		$ change	% change
FY20 Adjusted GAA	1,267.6	50.1	4.0%
FY20 Estimate	1,306.1	11.6	0.9%
FY21 MTF Model	1,254.7	63.0	5.0%

Topline Notes

>Net neutral variance caused by bringing State Police Troop F on budget
>FY21 Proj eliminates earmarks/one-time spending with est value of $15M
>Nat'l Guard tuition and fees waiver PAC not included in MTF model

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Department of Correction	738.6	757.8	19.2	2.6%
State Police	352.4	413.1	60.8	17.3%
Office of the Secretary of Public Safety and Security	40.0	31.4	(8.6)	-21.6%
Department of Fire Services	35.9	31.3	(4.6)	-12.9%
Military Division	29.5	24.6	(4.8)	-16.4%
all others	58.4	59.6	1.1	2.0%
Total Estimated Spending	**1,254.7**	**1,317.7**	**63.0**	**5.0%**

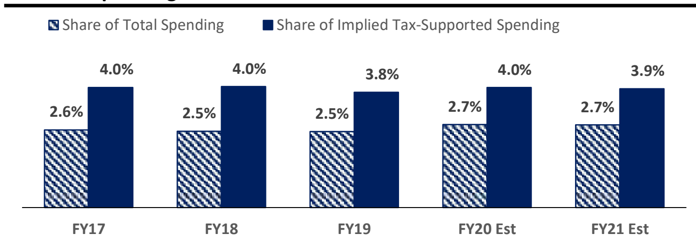
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
4,665	0	0	4,665
2,675	0	0	2,675
115	96	34	246
90	0	0	90
90	0	197	287
460	11	16	487
8,095	**107**	**247**	**8,450**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	885.4	906.0	20.7	2.3%
Employee Benefits	31.5	33.5	1.9	6.1%
Operating Expenses	148.4	145.2	(3.2)	-2.1%
Safety Net	156.6	210.5	54.0	34.5%
Grants & Subsidies	31.0	19.5	(11.5)	-37.1%
Other	1.9	3.0	1.2	61.9%
Total	**1,254.7**	**1,317.7**	**63.0**	**5.0%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	3.0	3.0	n/a
Federal Reimbursements	1.8	4.2	2.3	125.9%
Departmental revenue	86.8	160.8	74.0	85.3%
Transfers from Authorities	3.6	5.4	1.8	49.0%
Reserve for Future Spending	0.0	(3.0)	(3.0)	n/a
Subtotal, Non-Tax Revenue	92.2	170.3	78.1	84.7%
Implied Tax-Supported Spending	**1,162.5**	**1,147.4**	**(15.1)**	**-1.3%**

Other Notes

1) EOPSS spending is returning to typical growth rates after criminal justice reform caused more spending
2) Secretary's office "Other State" FTEs include 93 FTEs for enhanced 9-1-1 services
3) Secretary's office Federal FTEs include 12 on Byrne Grants, 8 on Homeland Security programs, and others
4) Military Division federal FTEs include 119 Air National Guard & 77 Army National Guard FTEs
5) "All Other" agencies include Parole Board, Medical Examiner, Sex Offender Registry Board, and others

Secretariat **Massachusetts Department of Transportation**

ID **DOT**

Figures in $ millions in CNS funds.

FY21 Projected Spending **853.4**

Growth over		$ change	% change
FY20 Adjusted GAA	698.5	154.9	22.2%
FY20 Estimate	798.5	54.9	6.9%
FY21 MTF Model	785.1	68.4	8.7%

Topline Notes

>Increases TNC per-ride fee from 20¢ to $1, generating $83M

>FY21 Proj eliminated earmarks/one-time spending with est value of $32M

>RTAs are funded at $94M in FY21 Proj vs $91M in MTF model

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Department of Transportation	785.1	853.4	68.4	8.7%
	0.0	0.0	0.0	n/a
	0.0	0.0	0.0	n/a
	0.0	0.0	0.0	n/a
	0.0	0.0	0.0	n/a
all others	0.0	0.0	0.0	n/a
Total Estimated Spending	**785.1**	**853.4**	**68.4**	**8.7%**

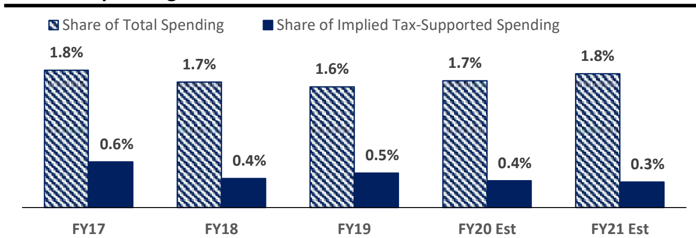
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
0	3,584	0	3,584
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	**3,584**	**0**	**3,584**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	0.0	0.0	0.0	n/a
Employee Benefits	0.0	0.0	0.0	n/a
Operating Expenses	112.4	94.0	(18.4)	-16.3%
Safety Net	0.0	0.0	0.0	n/a
Grants & Subsidies	672.7	759.4	86.7	12.9%
Other	0.0	0.0	0.0	n/a
Total	**785.1**	**853.4**	**68.4**	**8.7%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	0.0	0.0	n/a
Federal Reimbursements	0.0	0.0	0.0	n/a
Departmental revenue	635.5	639.4	4.0	0.6%
Transfers from Authorities	3.3	115.4	112.0	3369.1%
Reserve for Future Spending	0.0	0.0	0.0	n/a
Subtotal, Non-Tax Revenue	638.8	754.8	116.0	18.2%
Implied Tax-Supported Spending	**146.3**	**98.6**	**(47.7)**	**-32.6%**

Other Notes

1) DOT includes $95M for snow and ice control, consistent with costs in previous winters
2) DOT spending accounts are structured as non-appropriated trust accounts; No FTEs on capital accounts
3) Figures do not include sales tax revenue of approx. $1.18 billion dedicated to the MBTA
4) MTF model did not project gaming revenue accurately; $32M in model variance vs FY21 Proj
5) DOT spending includes $125M in contract assistance to support DOT debt service costs

Secretariat **Executive Office of Housing and Economic Development**

ID **HED**

Figures in $ millions in CNS funds.

FY21 Projected Spending **605.6**

Growth over		$ change	% change
FY20 Adjusted GAA	618.3	(12.7)	-2.1%
FY20 Estimate	643.3	(37.7)	-5.9%
FY21 MTF Model	643.9	(38.3)	-5.9%

Topline Notes

>FY21 Proj eliminates funding for Home Heating Assistance (LIHEAP)
>FY21 Proj eliminates earmarks/one-time spending with est value of $34M
>Budgeted spending only accounts for 50% of total spend of $1.2B

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Department of Housing and Community Development	531.5	509.3	(22.2)	-4.2%
Division of Professional Licensure	17.8	22.8	5.0	27.9%
Division of Banks	22.7	21.9	(0.8)	-3.6%
Office of the Secretary of Housing and Economic Develo	22.0	21.0	(1.0)	-4.4%
Division of Insurance	15.4	15.6	0.2	1.4%
all others	34.4	14.9	(19.5)	-56.6%
Total Estimated Spending	**643.9**	**605.6**	**(38.3)**	**-5.9%**

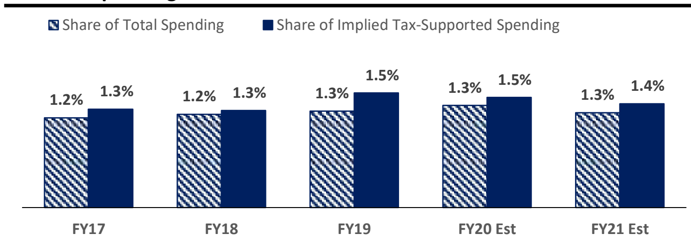
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
164	80	40	284
208	32	0	239
150	0	0	150
53	3	0	56
116	4	0	121
74	12	0	86
765	**131**	**40**	**936**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	73.1	73.0	(0.1)	-0.1%
Employee Benefits	2.9	3.0	0.1	3.6%
Operating Expenses	16.2	21.2	5.0	30.8%
Safety Net	423.8	405.6	(18.2)	-4.3%
Grants & Subsidies	127.9	102.7	(25.2)	-19.7%
Other	0.0	0.1	0.1	n/a
Total	**643.9**	**605.6**	**(38.3)**	**-5.9%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	2.9	2.9	n/a
Federal Reimbursements	0.0	0.0	0.0	n/a
Departmental revenue	263.8	199.7	(64.1)	-24.3%
Transfers from Authorities	3.4	0.9	(2.5)	-73.4%
Reserve for Future Spending	0.0	0.0	0.0	n/a
Subtotal, Non-Tax Revenue	267.2	203.5	(63.7)	-23.8%
Implied Tax-Supported Spending	**376.8**	**402.1**	**25.4**	**6.7%**

Other Notes

1) DOB/DOI are supported by assessments on regulated industries
2) Earmarks/one-time spending typically added to HED line items during the legislative process
3) DHCD "Other State" includes 52 FTEs on capital accounts
4) MTF model overestimated DPL revenue; net model variance of $49M
5) MTF model overestimated DOI revenue; net model variance of $12M

Secretariat **Executive Office of Energy and Environmental Affairs**
ID **EEA**

Figures in $ millions in CNS funds.

FY21 Projected Spending		**278.1**	
Growth over		$ change	% change
FY20 Adjusted GAA	274.3	3.8	1.4%
FY20 Estimate	289.7	(11.6)	-4.0%
FY21 MTF Model	266.6	11.5	4.3%

Topline Notes

>EEA increases net cost vs MTF model by $17M
>FY21 Proj eliminates earmarks/one-time spending with est value of $12M
>DPU revenue includes $20M in fines and penalties vs MTF model

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Department of Conservation and Recreation	98.5	103.5	5.0	5.1%
Department of Environmental Protection	59.6	62.9	3.3	5.5%
Office of the Secretary of Energy and Environmental Affa	37.4	41.4	4.0	10.8%
Department of Agricultural Resources	34.5	33.0	(1.5)	-4.4%
Department of Public Utilities	18.9	20.8	1.9	10.0%
all others	17.8	16.5	(1.3)	-7.1%
Total Estimated Spending	**266.6**	**278.1**	**11.5**	**4.3%**

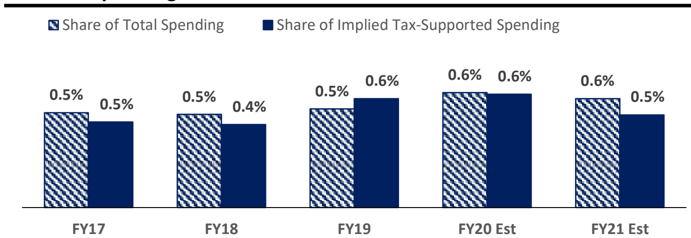
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
590	247	37	875
503	102	101	706
233	33	39	305
68	111	12	191
94	51	17	162
304	64	12	380
1,793	**609**	**217**	**2,619**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	172.2	173.7	1.5	0.9%
Employee Benefits	5.2	6.1	0.8	16.2%
Operating Expenses	54.7	75.0	20.3	37.2%
Safety Net	21.4	19.7	(1.7)	-7.8%
Grants & Subsidies	13.1	3.2	(9.9)	-75.2%
Other	0.0	0.4	0.4	n/a
Total	**266.6**	**278.1**	**11.5**	**4.3%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	0.0	0.0	n/a
Federal Reimbursements	0.0	0.0	0.0	n/a
Departmental revenue	112.1	134.6	22.5	20.1%
Transfers from Authorities	0.0	0.0	0.0	n/a
Reserve for Future Spending	0.0	0.0	0.0	n/a
Subtotal, Non-Tax Revenue	112.1	134.6	22.5	20.1%
Implied Tax-Supported Spending	**154.5**	**143.5**	**(11.0)**	**-7.1%**

Other Notes

1) Revenue and spending figures do not include amounts supported by dedicated environmental funds
2) DCR "Other State" FTEs include 107 supported by capital funds and 141 on non-budgeted trusts
3) 68 DEP FTEs supported by performance partnership federal grant
4) AGR "Other State" FTEs are regional mosquito control board employees
5) "All other" departments include Dept of Fish and Game and Dept of Energy Resources

Secretariat **Executive Office of Labor and Workforce Development**
ID **EOL**

Figures in $ millions in CNS funds.

FY21 Projected Spending		**80.1**	
Growth over		$ change	% change
FY20 Adjusted GAA	75.8	4.3	5.6%
FY20 Estimate	79.8	0.3	0.4%
FY21 MTF Model	97.5	(17.4)	-17.8%

Topline Notes

>$1.8B in EOL non-budgeted spending supported by federal gov't/trusts
>FY21 Proj eliminates earmarks/one-time spending with est value of $2M
>Enhanced EMAC phases out in FY20

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
Office of the Secretary of Labor and Workforce Developi	32.9	31.3	(1.6)	-4.8%
Department of Career Services	38.3	22.3	(16.0)	-41.8%
Department of Industrial Accidents	19.1	19.4	0.3	1.4%
Department of Labor Standards	4.0	4.0	0.0	0.6%
Department of Labor Relations	3.2	3.1	(0.1)	-2.3%
all others	0.0	0.0	0.0	n/a
Total Estimated Spending	**97.5**	**80.1**	**(17.4)**	**-17.8%**

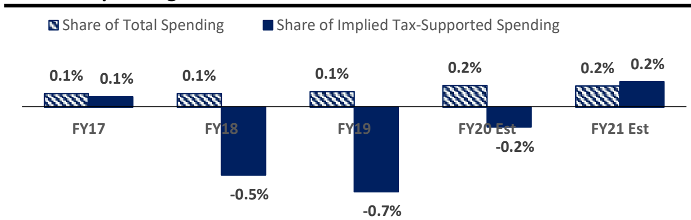
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
127	40	623	789
0	0	0	0
154	0	0	154
45	0	0	45
20	0	0	20
0	0	0	0
347	**40**	**623**	**1,009**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	33.8	29.1	(4.6)	-13.8%
Employee Benefits	0.7	0.9	0.2	33.8%
Operating Expenses	7.0	17.9	10.9	156.9%
Safety Net	0.0	0.0	0.0	n/a
Grants & Subsidies	56.0	32.1	(23.9)	-42.7%
Other	0.0	0.0	0.0	n/a
Total	**97.5**	**80.1**	**(17.4)**	**-17.8%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	14.9	14.9	n/a
Federal Reimbursements	0.0	0.0	0.0	n/a
Departmental revenue	189.5	2.4	(187.1)	-98.7%
Transfers from Authorities	19.1	19.4	0.3	1.4%
Reserve for Future Spending	0.0	(14.9)	(14.9)	n/a
Subtotal, Non-Tax Revenue	208.6	21.8	(186.8)	-89.6%
Implied Tax-Supported Spending	**(111.2)**	**58.3**	**169.5**	**-152.4%**

Other Notes

1) UI Administration FTEs (404) and Employment Services FTEs (210) supported by federal grants
2) MTF model did not phase out EMAC correctly; model variance of $188M vs FY21 Proj
3) MTF model accounted for Summer Jobs PAC as spending; $15M model variance vs FY21 Proj
4) Enhanced EMAC generated more revenue than spent by EOL agencies in FY18-FY20
5) EOL manages off-budget spending for Unemployment Insurance Trust and Paid Family & Medical Leave Trust

Secretariat **Executive Office for Technology Services and Security**
ID **TSS**

Figures in $ millions in CNS funds.

FY21 Projected Spending **56.8**

Growth over		$ change	% change
FY20 Adjusted GAA	37.5	19.3	51.5%
FY20 Estimate	37.5	19.3	51.5%
FY21 MTF Model	36.3	20.5	56.5%

Topline Notes

>TSS additional investment higher than MTF model by $18M
>FY21 Proj did not identify any eliminated earmarks/one-time spending
>TSS continues to restructure in wake of 2017 Article 87 reorganization

Breakdown by Secretariat/Branch (sorted by size)

	FY21 MTF	FY21 Proj	$ change	% change
MassIT	36.3	56.8	20.5	56.5%
	0.0	0.0	0.0	n/a
	0.0	0.0	0.0	n/a
	0.0	0.0	0.0	n/a
	0.0	0.0	0.0	n/a
all others	0.0	0.0	0.0	n/a
Total Estimated Spending	**36.3**	**56.8**	**20.5**	**56.5%**

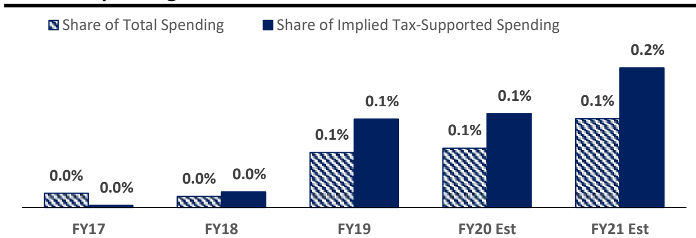
Standard Workforce FTEs @01.04.20

Budgetary	Other State	Federal	Total
409	0	0	409
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
409	**0**	**0**	**409**

Breakdown by spending category

	FY21 MTF	FY21 Proj	$ change	% change
Wages & Salaries	13.8	25.8	12.0	86.5%
Employee Benefits	0.2	0.6	0.4	183.6%
Operating Expenses	22.2	30.3	8.1	36.6%
Safety Net	0.0	0.0	0.0	n/a
Grants & Subsidies	0.0	0.0	0.0	n/a
Other	0.0	0.0	0.0	n/a
Total	**36.3**	**56.8**	**20.5**	**56.5%**

Share of Spending



Breakdown by supporting revenue category

	FY21 MTF	FY21 Proj	$ change	% change
Revenue from Prior Year	0.0	0.0	0.0	n/a
Federal Reimbursements	0.0	0.0	0.0	n/a
Departmental revenue	0.4	2.7	2.3	528.9%
Transfers from Authorities	0.0	0.0	0.0	n/a
Reserve for Future Spending	0.0	0.0	0.0	n/a
Subtotal, Non-Tax Revenue	0.4	2.7	2.3	528.9%
Implied Tax-Supported Spending	**35.8**	**54.0**	**18.2**	**50.8%**

Other Notes

1) Funding supports the launch of a new cybersecurity operations center
2) 149 FTEs supported by direct appropriations; TSS moving toward direct appropriation model
3) New security incident tracking system aims to improve and streamline cyber threat management
4) 260 TSS FTEs supported through charges assessed to other state agencies
5) 149 FTEs supported by direct appropriations; TSS moving toward direct appropriation model

Fiscal 2021: Tax Revenue Comparison											
Category	MTF	Consensus	Accelerated Sales Tax	Tax Settlements	Opioid Tax	Life Sciences Cap	Sales Tax Integrity	Treasury Offset Program	H.2	Credited to Non-CNS Funds	FY21 Proj
Alcoholic Beverages	99.4	90.2	0.0	0.0	0.0	0.0	0.0	0.0	90.2	0.0	90.2
Banks	15.6	14.1	0.0	0.0	0.0	0.0	0.0	0.0	14.1	0.0	14.1
Cigarettes	349.5	317.1	0.0	0.0	0.0	0.0	0.0	0.0	317.1	0.0	317.1
Corporations	2,881.5	2,865.0	0.0	0.0	0.0	5.0	0.2	0.0	2,870.2	0.0	2,870.2
Deeds	395.6	358.9	0.0	0.0	0.0	0.0	0.0	0.0	358.9	0.0	358.9
Income	17,664.0	17,909.0	0.0	0.0	0.0	0.0	0.1	0.0	17,909.1	0.0	17,909.1
Inheritance and Estate	584.8	530.6	0.0	0.0	0.0	0.0	0.0	0.0	530.6	0.0	530.6
Insurance	575.8	525.2	0.0	0.0	0.0	0.0	0.0	0.0	525.2	-25.0	500.2
Motor Fuel	862.1	782.2	0.0	0.0	0.0	0.0	0.0	0.0	782.2	-1.0	781.1
Public Utilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Room Occupancy	216.5	196.4	0.0	0.0	0.0	0.0	0.0	0.0	196.4	0.0	196.4
Sales - Regular	4,980.7	5,216.0	317.0	0.0	0.0	0.0	0.5	0.0	5,533.5	-1,886.3	3,647.2
Sales - Meals	1,267.5	1,325.0	0.0	0.0	0.0	0.0	1.2	0.0	1,326.2	0.0	1,326.2
Sales - Motor Vehicles	917.9	884.0	0.0	0.0	0.0	0.0	0.0	0.0	884.0	-306.1	577.9
Subtotal, Sales Tax	7,166.0	7,425.0	317.0	0.0	0.0	0.0	1.7	0.0	7,743.7	-2,192.4	5,551.3
Miscellaneous	49.8	45.4	0.0	0.0	16.0	0.0	0.0	1.2	62.6	0.0	62.6
Marijuana Excise	101.6	92.2	0.0	0.0	0.0	0.0	0.0	0.0	92.2	0.0	92.2
Tax Settlements	0.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0	50.0	0.0	50.0
Total	**30,962.0**	**31,151.2**	**317.0**	**50.0**	**16.0**	**5.0**	**2.0**	**1.2**	**31,542.4**	**-2,218.4**	**29,324.0**

Figures in $ millions.