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Senate FY 2021 Budget Analysis

Introduction

Quickly following the House's actions, the Senate passed its budget late Wednesday, November 17. The Senate was able to expeditiously conclude its budget debate in two days, in part by adopting four bundled amendments that added \$35 million in spending. The Senate budget, totaling \$46.15 billion, is approximately \$90 million larger than the House plan and \$375 million more than the Governor's \$45.78 billion revised budget released in October.

The House and Senate budgets would increase spending by approximately \$1.5 billion more than the Governor's FY 2021 budget plan of \$44.57 billion released in January before the pandemic – a 3.6 percent hike despite the anticipated loss of \$3.5 billion in tax revenues.

Revenues

The Senate projects total budgeted revenues of \$45.08 billion for FY 2021, approximately \$150 million more than the administration and \$30 million less than the House budget (Table 1).

While the Senate budget assumes \$27.59 billion in tax revenues, the same as certified by the Secretary of Administration and Finance (ANF) in October in accordance with Chapter 29 Section 5B of the M.G.L., they assume more revenue from departmental revenues and consolidated transfers to support these spending increases. Statutorily required pre-budget payments for pensions, sales tax revenue transfers to the MBTA and the MA School Building Authority, and funds for the Workforce Training Fund total \$5.18 billion, the same amount that is in the Governor's and House's budgets. After these transfers, all three plans are left with \$22.4 billion in tax revenues for line-item spending.

The Senate adopts the following Baker administration's revenue provisions:

- One-time sales tax revenues of \$267 million obtained by accelerating the due date of remittance for certain vendors; this change advances revenues that would have been applied to FY 2022 to FY 2021,
- Delay in the charitable deduction for one year (\$64 million),
- Life Sciences, Sales Tax Integrity, and a Treasury offset program that cumulatively adds \$8 million bringing other tax totals to \$309 million, the same as the administration and \$50 million lower than the House budget.

The Senate anticipates federal reimbursements of \$13.86 billion, the same as the administration and \$70 million less than the House. The Senate expects department revenues of \$4.92 billion, \$91 million more than the House and roughly equal to the Governor, and anticipates \$48 million more than the House in consolidated transfers.

The Senate proposes a Stabilization Fund withdrawal of \$1.5 billion, approximately the same as the House and \$150 million greater than the administration, which would leave the Fund balance at approximately \$2 billion.

Table 1 – FY 2021 Revenues by Source (in \$ millions)

	Governor	House	Senate
Tax Revenues	27,592	27,592	27,592
Statutory Transfers			
Pensions	3,115	3,115	3,115
MBTA	1,102	1,102	1,102
MSBA	942	942	942
Workforce Training Fund	25	25	25
Subtotal Transfers	5,183	5,183	5,183
Consensus Tax for Budget	22,409	22,409	22,409
Other Tax			
Tax Settlements	50	100	50
Sales Tax Acceleration	267	267	267
MBTA Transfer	-39.9	-39.9	-39.9
MSBA Transfer	-39.9	-39.9	-39.9
Charitable Deduction Delay	64	64	64
Sales Tax Integrity	2	2	2
MBTA/MSBA Transfers	-0.2	-0.2	-0.2
Life Sciences	5	5	5
Treasury Offset Program	1.2	1.2	1.2
Other Tax Subtotal	309	359	309
Non-Tax Revenue			
Federal Reimbursements	13,859	13,929	13,859
Department Revenues	4,898	4,830	4,921
Consolidated Transfers	2,110	2,037	2,085
Stabilation Fund	1,350	1,550	1,500
Non-Tax Subtotal	22,217	22,346	22,365
Total	44,935	45,114	45,084

The Senate passed an amendment to increase fees on transportation network companies (TNCs) but did not support legalized sports betting as the Governor proposed. Additionally, the Senate adopts the House sales tax prepayment language to accelerate sales tax remittance, but rejects the Governor’s plan as it pertains to a future daily remittance requirement. While MTF has voiced support for the concept of prepayment, the provision as written poses unnecessary

implementation challenges and new costs to businesses (see MTF’s [Prepayment is Preferable to Daily Sales Tax Remittance](#)).

The Senate, House and the administration rely heavily on approximately \$3.5 billion in non-recurring revenues to balance the FY 2021 budget. The bulk of these funds come from federal financial assistance included in the Cares Act. These funds are unlikely to be available next year, setting up significant challenges in the FY 2022 budget.

Spending

Both the Senate and House spending plans prioritize programs to help mitigate the ongoing impacts of the pandemic. (For a complete breakdown of spending proposals see Appendix A.)

Economic Development

The Senate matches the House investment of \$46.35 million in the Economic Recovery Planning and Response to COVID-19 program to assist small businesses and retain and create jobs, and proposes to spend \$10 million for the Workforce Corporate Trust Fund and \$20 million for Youth-at-risk summer jobs.

	FY 20 GAA	Gov FY 21	House FY 21	Senate FY 21
Business and Labor	200,189,510	193,032,777	241,799,294	244,641,626
Environment and Energy	303,732,224	300,306,001	320,200,105	311,857,139

Local Aid

The Senate appropriates \$5.28 billion in Chapter 70 education aid – the same as the House and the administration. It is an increase of \$107 million over FY 2020 funding. The Senate also delays for one year the start of the Student Opportunity Act, the major education reform law enacted last year. Under the SOA’s phased-in timeline for providing an additional \$1.5 billion to K-12 schools, Chapter 70 aid would have increased by more than \$400 million. Further, the Senate, House and administration propose funding unrestricted general government aid (UGGA) at the same level as FY2020 for a total of \$1.13 billion.

	FY 20 GAA	Gov FY 21	House FY 21	Senate FY 21
Chapter 70 Education Aid	5,176,002,652	5,283,651,632	5,283,651,632	5,283,651,632
Unrestricted General Government Aid	1,128,617,436	1,128,617,436	1,128,617,436	1,128,617,436
Circuit Breaker Special Ed.	345,154,803	345,154,803	328,362,411	345,154,803
Other K-12 Education Aid	247,459,942	206,740,505	292,294,937	257,972,362

The Senate matches administration funding for the special education circuit breaker at \$345.2 billion, which is \$16.8 million more than the House. The Senate adds \$20 million in two new community grant programs, but does not include the House’s \$50 million one-time grant to school districts dealing with COVID-19 prevention.

Health Care

MassHealth is the program with the largest spending increases year-over-year. FY 2021 spending levels increase by approximately \$1.78 billion or 10.7 percent from the FY 2020 GAA. The increased costs are due in part to the addition of 182,300 members since the start of the pandemic, bringing the total number of enrollees in the program to 1.93 million. This represents a 10.4 percent increase from last year; however, the number of enrollees could grow larger still in the months ahead if the economic downturn drives more people into MassHealth.

Federal Medical Assistance Percentage (FMAP) reimbursements provide \$11.64 billion in federal funds for FY21, a portion of which (\$850 million) comes from the enhanced FMAP rates in effect. The MassHealth programmatic spending balance of \$6.6 billion is the state's contribution.

	FY 20 GAA	Gov FY 21	House FY 21	Senate FY 21
MassHealth	16,765,492,316	18,540,636,338	18,555,321,338	18,556,781,338
Medical Assistance Trust	481,260,000	505,250,000	505,250,000	505,250,000
Other Health Care	302,551,091	264,672,811	244,585,771	264,672,811

The \$38 million decline in other health care costs from the FY 2020 GAA is due to a \$71 million reduction in payments to the Safety Net Provider Trust Fund, savings likely derived from foregone routine care prompted by the pandemic, among other reasons.

Early Education

Both the Senate and House budgets spend less for early education than the amount proposed by the Governor or what was included in the FY 2020 GAA. The Senate matches the Governor's proposed spending of \$350 million for early education and services for children under the care of the Department of Children and Families (DCF). This figure is \$35 million more than the House budget, but the Senate does not include \$25 million in other spending as proposed by the Governor. The three accounts are: (1) reimbursement rates for professional development of early educators (\$10 million); (2) changes in the sliding scale fee for parents benefitting from child care subsidies (\$10 million); and professional development for early educators (\$5 million).

It should be noted that FY 2020 GAA aid for early education included \$90 million for the Caseload and Deficiency Reserve that was not part of budget proposals by the administration, House, or Senate budgets.

	FY 20 GAA	Gov FY 21	House FY 21	Senate FY 21
Early Education	776,700,576	775,064,108	757,364,981	819,664,107
Higher Education	1,288,161,235	1,302,712,450	1,341,405,557	1,303,626,893

Higher Education

The Senate funds higher education at the same level as the administration, which is approximately \$38 million lower than the House budget. The Senate reduces funding for the scholarship program for enrolled college students by \$14.4 million from House spending levels to \$120 million. The Senate does not include the \$7 million for the Community College Success program and the \$5.5 million for state university incentive grants that were added by the House.

Human Services

The Senate allocates approximately \$7.33 billion to human services, which is \$40 million less than the House, but nearly \$200 million more than the administration. The largest proposed increases are in housing (\$62 million), public health (\$35 million) and developmental services (\$21 million).

The Senate increases funding for Assistance for Families in Transition by \$33.7 million and two housing voucher programs by \$17.3 million above the Governor's plan. They also increase funding to the Bureau of Substance Addiction Services to \$163.6 million, which is approximately the same as the House and \$16.7 million greater than the Administration's proposed funding of \$147.2 million.

Finally, the Senate increases spending for community-based work programs to \$239.5 million, the same as the House and the FY 2020 GAA and \$19.8 million more than the administration's budget.

	FY 20 GAA	Gov FY 21	House FY 21	Senate FY 21
Developmental Services	2,187,199,438	2,210,062,825	2,228,842,654	2,232,186,397
Family Services	1,276,049,860	1,413,155,630	1,428,272,796	1,438,678,025
Cash Assistance	682,437,192	710,055,759	740,140,761	721,855,761
Mental Health	891,952,253	904,187,971	910,558,539	910,743,539
Public Health	702,283,923	687,145,222	719,454,139	741,181,898
Housing Support	522,521,658	517,922,359	589,829,426	583,581,273
Senior Support	559,454,548	575,465,917	597,018,539	578,263,888
Veteran Services	151,743,358	152,297,709	153,057,708	153,681,208
Total	6,973,642,230	7,170,293,392	7,367,174,562	7,360,171,989

Public Safety

The Senate and the House largely align on public safety spending. The Senate funding for the Department of Corrections at \$749 million mirrors the House, but is \$14 million less than the administration's budget. The Senate increases spending on the Judiciary by \$11.6 million over the House, but that figure is \$36.6 million more than the Governor's plan. Similarly, the Senate and House propose funding for the State Police at FY 20 GAA levels which is \$13 million less than the administration.

On the other hand, the Senate provides the same amount of funding as the Governor for Sheriffs at \$644.3 million which is \$34 million greater than the budget passed by the House.

	FY 20 GAA	Gov FY 21	House FY 21	Senate FY 21
Corrections	735,343,775	763,326,059	749,747,516	749,352,516
Sheriffs	603,460,491	644,371,129	617,054,852	644,371,129
Judiciary	1,034,313,177	1,046,484,234	1,071,489,866	1,083,098,914
State Police	408,309,564	422,444,124	410,586,120	409,226,121

House and Senate funding for some sheriff offices was less than last year for a total reduction of \$26 million, broken down as follows: Essex County (\$10.8 million), Bristol County (\$6.2 million), Norfolk County (\$2.2 million), Plymouth County (\$5.7 million), and Suffolk County (\$1.1 million).

Transportation

The Governor, House, and Senate do not include any new transportation revenues in their budget plans. Funding for the MBTA is likely to increase by \$59 million in FY 2021 given that all three versions of the budget included a version of sales tax prepayment (\$40 million) and a portion of all sales tax revenues is dedicated to the MBTA. The Senate plan adds \$3.5 million to Registry and Regional Transit Authorities in FY 2021 above the Governor and House proposals of \$90.5 million.

	FY 20 GAA	Gov FY 21	House FY 21	Senate FY 21
MassDOT/ Other	345,813,615	385,813,615	336,038,615	385,813,615
Regional Transit	90,500,000	90,500,000	90,500,000	94,000,000
Registry	10,168,209	10,968,209	10,968,209	10,968,209
MBTA*	1,204,000,000	1,228,500,000	1,228,500,000	1,228,500,000

The Senate reinstates \$50 million in funding to the Commonwealth Transportation Fund (CTF) that was reduced by the House, bringing the FY 2021 total back to \$385.8 million – the same figure as the Governor’s budget.

Conclusion

In summary, the Senate budget is more closely aligned with the House than in past years. This alignment reflects the challenging fiscal environment that does not allow for much discretionary spending and the collaborative approach that budget writers have taken towards the budget, given the unprecedented nature of this year’s process resulting from the pandemic. This is especially true given the short window between finalizing the FY 2021 budget and the need to prepare for the challenging FY 2022 budget cycle.

Appendix A

	FY 20 GAA	Gov FY 21	House FY 21	Senate FY 21
Health Care				
MassHealth	16,765,492,316	18,540,636,338	18,555,321,338	18,556,781,338
Medical Assistance Trust	481,260,000	505,250,000	505,250,000	505,250,000
Other Health Care	302,551,091	264,672,811	244,585,771	264,672,811
Local Government Support				
Chapter 70 Education Aid	5,176,002,652	5,283,651,632	5,283,651,632	5,283,651,632
Unrestricted General Gov	1,128,617,436	1,128,617,436	1,128,617,436	1,128,617,436
Circuit Breaker Special Ec	345,154,803	345,154,803	328,362,411	345,154,803
Other K-12 Education Aid	247,459,942	206,740,505	292,294,937	257,972,362
Charter School Reimburs	115,000,000	115,000,000	117,357,887	115,000,000
Regional School Transpor	75,856,506	75,856,506	82,178,615	82,178,615
Other Local Aid	108,570,412	105,307,916	100,873,673	102,493,341
Other Education				
Early Education	776,700,576	775,064,108	757,364,981	819,664,107
Higher Education	1,288,161,235	1,302,712,450	1,341,405,557	1,303,626,893
Human Services				
Developmental Services	2,187,199,438	2,210,062,825	2,228,842,654	2,232,186,397
Family Services	1,276,049,860	1,413,155,630	1,428,272,796	1,438,678,025
Cash Assistance	682,437,192	710,055,759	740,140,761	721,855,761
Mental Health	891,952,253	904,187,971	910,558,539	910,743,539
Public Health	702,283,923	687,145,222	719,454,139	741,181,898
Housing Support	522,521,658	517,922,359	589,829,426	583,581,273
Senior Support	559,454,548	575,465,917	597,018,539	578,263,888
Veteran Services	151,743,358	152,297,709	153,057,708	153,681,208
Public Safety				
Corrections	735,343,775	763,326,059	749,747,516	749,352,516
Sheriffs	603,460,491	644,371,129	617,054,852	644,371,129
Judiciary	1,034,313,177	1,046,484,234	1,071,489,866	1,083,098,914
State Police	408,309,564	422,444,124	410,586,120	409,226,121
District Attorneys	138,885,610	142,756,517	146,492,797	145,895,767
Attorney General	55,736,340	55,117,750	56,254,292	55,385,628
Other Public Protection	110,654,887	105,573,245	109,103,558	111,887,555
Transportation				
MassDOT/ Other	345,813,615	385,813,615	336,038,615	385,813,615
Regional Transit	90,500,000	90,500,000	90,500,000	94,000,000
Registry	10,168,209	10,968,209	10,968,209	10,968,209
MBTA*	1,204,000,000	1,228,500,000	1,228,500,000	1,228,500,000
Economic Development				
Business and Labor	200,189,510	193,032,777	241,799,294	244,641,626
Environment and Energy	303,732,224	300,306,001	320,200,105	311,857,139
Employee Benefits				
GIC	1,764,566,073	1,797,153,335	1,797,153,335	1,797,153,335
Retiree Health Care	450,000,000	500,000,000	500,000,000	500,000,000
Pensions*	3,115,200,000	3,115,200,000	3,115,200,000	3,115,200,000
Capital Support				
Debt Service	2,517,630,017	2,373,394,245	2,373,394,245	2,337,789,353
Contract Assistance	258,339,917	331,720,069	331,720,069	331,720,069
Other/General Government				
	657,463,956	666,971,975	666,577,678	684,412,794
Total	47,788,776,564	49,992,591,181	50,277,219,351	50,366,509,097
*MBTA & Pension Statutory Transfers	-4,216,700,000	-4,216,700,000	-4,216,700,000	-4,216,700,000
FY 21 Budget	43,572,076,564	45,775,891,181	46,060,519,351	46,149,809,097