



333 Washington Street | Suite 853 | Boston, MA 02108 | 617.720.1000
www.masstaxpayers.com

MTF Bulletin

July 20, 2021

FY 2022 Budget Veto Summary

On July 16th, Governor Baker signed the FY 2022 budget while making modest changes to the Legislature's final spending plan. The Governor struck \$7.85 million of the \$48.1 billion budget, vetoed two sections and returned 25 sections with amendment. This bulletin summarizes the Governor's veto actions and the current status of the FY 2022 General Appropriations Act (GAA).

Budget Resources

The conference committee budget presented to the Governor upgraded FY 2022 tax revenue estimates by \$4.2 billion, from \$30.12 billion to \$34.35 billion. Governor Baker's signing message neither explicitly endorses the legislature's upgrade nor vetoes significant spending (less than \$10 million), indicating a degree of comfort with the fiscal assumptions used in the conference report.

The Administration does propose shifting \$600 million in FY 2022 surplus spending to FY 2021. The House and Senate proposed using a portion of the expected FY 2022 surplus to provide \$350 for implementation of the Student Opportunity Act and \$250 million to make a supplemental pension payment. Governor Baker notes that, given the size of last year's surplus and the uncertain trajectory of tax collections in the months ahead, it would be better to make these transfers now. The Legislature must now decide whether to accept this proposed amendment or reenact the FY 2022 transfer language.

Governor Baker did not endorse a proposal to increase state tax collections by an estimated \$90 million while also reducing the federal tax burden of some tax filers. As [MTF previously explained](#), the Governor and Senate both put forward proposals that would enable pass-through entities to avoid the federal cap on state and local taxes paid. The Senate's version, included in the conference report, would increase state taxes paid by these filers, while the Governor's original language was revenue neutral for the state. The Governor returned this section in the conference report and substituted it with his original language.

Spending Vetoes

The Governor vetoed just \$7.85 million in spending from the FY 2022 budget. This is the second smallest amount of spending vetoes during Governor Baker's tenure in office. These vetoes include:

- \$3.5 million reduction to Regional Transit Authority subsidies (from \$94 million to \$91.5 million);
- \$2.9 million in charter school reimbursements earmarked for districts that meet certain criteria;
- \$1 million in spending earmarked to offset local police forces for new training costs required by last session's police reform legislation;
- \$200,000 in funding associated with legislatively mandated policy studies:
 - A commission led by the Department of Environmental Protection to examine the impacts of glyphosate and other herbicides on flora and fauna of the Commonwealth (\$50,000);
 - An analysis, undertaken by the state's Children's Behavioral Health Advisory Council to examine the impact of the pandemic on children's mental health and related services (\$150,000);
- \$150,000 in funding to create an ombudsman's office within the Department of Housing and Community Development to receive, investigate and resolve complaints related to the state's emergency housing system.

In addition to these line-item vetoes, the Governor also struck language from the Residential Assistance for Families in Transition (RAFT) item directing \$4.7 million from the Housing Preservation and Stabilization Trust Fund to augment state spending for the program. The Governor notes that the state has hundreds of millions in federal housing funds available that can be used for many of the same purposes as RAFT.

Policy Vetoes

Governor Baker vetoed two sections and returned 25 sections with amendment. Notable policy actions, not previously summarized, include:

- ***Charitable tax deduction (section 99)*** – Governor Baker vetoed the budget section that would prevent a state charitable tax deduction from going into effect in tax year 2022. If the Governor's veto is sustained it will reduce FY 2022 tax collections by an estimated \$64 million.
- ***Division of Water Supply Protection (section 8)*** – the Governor returned with amendment budget language that would prohibit the Executive Office of Energy and Environmental Affairs, or other state agency, from requiring the Division to make staffing adjustments not in accordance with the Division's annual staffing plan. The Governor's proposed amendment strikes the budget language and instead proposes that the Division add several personnel related elements to the staffing plan.

- ***Department of Conservation and Recreation parking revenue (section 42)*** – the Governor rejected conference committee language that would require DCR to get municipal approval for putting parking meters in any community and invalidate any existing municipal agreements to allow for meters. Instead, the Governor returned an amendment that dedicates 50 percent of revenues generated at Revere beach to the maintenance and upkeep of that beach. The Revere beach revenue dedication is already accomplished by section 5 of the conference report.
- ***Benefit asset limits (sections 47 & 67)*** – the conference budget eliminates asset limits for receipt of benefits through the EAEDC and TAFDC programs. The Governor returned these policies with amendments that would maintain asset limits, but increase the limit for EAEDC and allow TAFDC recipients to accrue assets in excess of the \$5,000 limit once they are deemed eligible for benefits.
- ***Tax expenditure (section 23)*** – the legislature eliminated three tax expenditures in the budget it sent to the Governor’s desk. Governor Baker is sending back an amendment that would retain tax benefits related to harbor maintenance and medical devices; while agreeing to eliminate a tax break related to energy patents.
- ***Regional Transit Authorities (section 113)*** – Governor Baker is sending back to the legislature the budget section that governs how RTA subsidies are to be distributed. The Governor’s amendment reduces the subsidy amount, consistent with his \$3.5 million veto of the RTA transfer, and requires that the RTA subsidy be distributed based on a metric-driven formula, with \$3.5 million distributed as part of a performance grant program. The conference budget distributed \$90.5 based on the formula used in FY 2021, with \$3.5 million distributed based on a formula set forth in the bill.
- ***Nursing home licensure (section 129)*** – the conference budget proposed a commission to examine the process by which nursing homes are licensed. The Governor returned that section with amendment which would retain the commission, but put in place immediately several licensure reforms, including the ability of EOHHS to grant provisional licenses, the increase of maximum fines and an expansion in the information required by applicants for licensure.
- ***Higher education affordability task force (section 135)*** – the conference budget created a broad commission to examine a variety of issues related to the affordability of both public and private higher education. The Governor has returned that section with a much more targeted commission to look into public higher education financing. The Governor’s commission would assess enrollment and attainment trends in public higher education and the advisability of adjusting the state’s financing model to improve outcomes and better correspond to student and workforce needs.

Other Administration amendments adjust the membership of new commissions proposed in the budget, make technical changes or adjust timelines and requirements deemed infeasible.

Next steps

The legislature has until the end of this legislative year to override gubernatorial vetoes and has until the end of the legislative session to act on budget amendments. Vetoes require a 2/3s vote of

both chambers, while amendments become new bills that require a majority vote to reject, adopt, or otherwise amend. All actions must begin in the House. If the legislature does not act on a gubernatorial amendment, the original language will not take effect.

Now that the budget has been signed, the Department of Revenue should develop monthly revenue benchmarks for FY 2022. Statutorily, the Administration is not required to revise revenue estimates until October 15th, but establishing these for the start of the year will be helpful in assessing whether or not state revenues are on pace to meet expected revenues for the year.