



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

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Governor Healey’s FY 2023 Supplemental Budget

Overview

On January 30, 2023, Governor Healey filed the first supplemental budget of her Administration; totaling **\$282 million** across five items, with a net cost of **\$154 million**.

The bill primarily seeks to address the immediate shelter, housing, and supportive service needs of families experiencing homelessness in the Commonwealth; including the recent influx of migrants and refugees from Afghanistan, Haiti, Venezuela, and Ukraine. In addition, the bill includes funding for two school and family food security programs.

The proposed spending is partially offset by **\$127.6 million** in unanticipated federal revenue related to the extension of enhanced federal Medicaid reimbursements for the remainder of 2023.

Spending Overview

The supplemental budget includes funding for the following five programs:

Total Supplemental Budget Spending

Program	Funding Level
Emergency Assistance Housing Programs	\$45 million
Support Services and School District Reserve	\$40 million
Universal School Meals Program	\$65 million
SNAP Emergency Benefits Reserve	\$130 million
SNAP Benefit Theft Reimbursement	\$2 million
Total	\$282 million

Emergency Housing and Migrant Support Services

- **Emergency Housing Assistance Programs (\$45M)** – This funding, in concert with the \$20 million included in last session’s economic development bill, will allow the Department of Housing and Community Development (DHCD) to assist new arrivals and families

experiencing homelessness to find temporary shelter and permanent housing solutions. This investment will allow DHCD to invest in the emergency assistance system's infrastructure, workforce, and network of providers; and meet increased caseload demands.

- **Support Services and School District Reserve (\$40M)** – In addition to increasing the funds available for EA programs, this bill includes \$40 million for additional support services to migrant and refugee families. Specifically, this reserve will fund a temporary intake center in Devens to offer case management and health services to new arrivals, as well as per-pupil aid allotments to school districts facing large increases in student enrollment related to shelter placements.

In his last supplemental budget filed in November 2022, Governor Baker similarly included a \$130 million reserve to address the emergency shelter, housing, and supportive service needs of migrants and refugees in Massachusetts; including, additional funding for school districts. The reduced funding level of \$85 million included in Governor Healey's bill is most likely related to updated caseload and service utilization projections.

Food Security Programs

- **Universal School Meals Program (\$65M)** – During the pandemic, the federal government allowed all schools to provide universal free meals at no additional cost to the state. The federal waiver expired at the start of the 2022 – 2023 school year, and the FY 2023 budget included \$110 million in new state funding to continue universal free school meals in Massachusetts. This funding supplements that appropriation, to cover the full-year cost of the program.
- **Supplemental Nutrition Assistance Program (SNAP) Enhanced Benefits (\$130M)** – In response to the COVID-19 pandemic, families participating in SNAP began to receive supplemental benefits at the beginning of each month, known as “COVID SNAP payments.” The enhanced benefits were funded by the federal government and equal to the difference between a family's SNAP allotment and the maximum benefit award for a family of the same size, with a minimum extra allotment of \$95. The federal Consolidated Appropriations Act (CAA), signed into law at the end of 2022, mandated February 2023 as the last month for COVID SNAP payments. To avoid a steep decrease in SNAP benefits for Massachusetts families, this funding will support a continuation of COVID SNAP payments at up to 40 percent of the extra federal allotment for 3 months.
- **Supplemental Nutrition Assistance Program (SNAP) Benefit Theft Reimbursement (\$2M)** – In response to a recent uptick in SNAP benefit theft, known as “skimming,” the supplemental budget includes \$2 million to reimburse families that had their benefits stolen between April 1, 2022 and September 30, 2022. The federal CAA included a provision to reimburse families whose benefits were stolen between October 1, 2022 and September 30, 2024; this provision fills the gap for Massachusetts families not covered by the federal program.

Resources

The bill filed today is supported, in part, by **\$127.6 million** in unanticipated federal reimbursement revenue related to the enhanced federal match rate for state Medicaid payments. Since early in 2020, the Commonwealth has benefitted from a 6.2 percentage point increase in the federal match rate for state Medicaid payments, which has resulted in approximately \$250 million in additional revenue each quarter. Based on federal guidance, the FY 2023 budget assumed that the enhanced rate would end by March 2023. However, the federal CAA, signed into law at the end of 2022, instituted a phase-down schedule that will provide Massachusetts with a 5 percent reimbursement add-on for the final quarter of 2023. This unexpected revenue offsets much of the cost of enhanced SNAP benefits, and reduces the net supplemental budget spending total to **\$154.4 million**.

Net Supplemental Budget Spending

Total Supplemental Budget Spending	\$282,000,000
Unanticipated Federal Revenue	(\$127,600,000)
Net Supplemental Budget Spending	\$154,400,000

Policy Proposals

The supplemental budget includes one outside section, allowing for transferability between the Emergency Assistance Housing Programs and HomeBASE accounts in the FY 2023 budget. The addition of transferability power would allow DHCD to expend funding for these programs in line with demand. This language was also proposed by Governor Charlie Baker in the supplemental budget filed in November 2022.

Next Steps

Governor Healey’s first supplemental budget proposal focuses on addressing the immediate needs of new arrivals and families in Massachusetts experiencing homelessness and food insecurity. It leverages unanticipated federal dollars to offset the costs of increased benefits, and ensures that programs funded in the FY 2023 budget have the resources to meet demand during the final half of the fiscal year. Funds appropriated for Emergency Assistance Housing Programs have already been depleted, and the Universal School Meals Program would be forced to end in March without additional resources.

It is also worth noting that this bill does not include funding for all programs at risk of running out of resources before the end of the fiscal year. For example, the child care stabilization grant program, known as “C3,” is anticipated to run out of funding in April. MTF’s recent report on the state’s subsidized childcare system highlighted the importance of continuing the C3 program.

The bill has been assigned to the temporary House Committee on Ways and Means, where it awaits further action.