

Governor Healey Files Fiscal Year 2024 Budget

Governor Maura Healey filed her first fiscal year budget, a \$55.5 billion fiscal year 2024 (FY24) budget recommendation, on Wednesday, March 1. The FY24 budget of \$55.5 billion in gross spending, represents 4.1 percent spending growth over fiscal year 2023. The budget is based on the \$40.41 billion consensus tax revenue growth estimate of 1.6 percent. The proposed budget does not utilize any funding from the Stabilization Fund, which has grown to a record high \$6.938 billion and is projected to finish fiscal year 2024 with \$8.962 billion. The recommendation assumes \$1.946 billion in capital gains tax revenue, of which \$466 million will be transferred to the Stabilization Fund and other long term liability funds for pension and retiree health insurance costs.

Of particular note to UCANE members, Governor Healey proposes to fund the contract assistance line-item for the Clean Water Trust at \$63.3 million, which reflects level funding. While the Governor proposes to eliminate the Commonwealth sewer rate relief program, she does recommend continuing the \$10 million of funding for the underground storage tank program. In funding the Massachusetts Department of Environmental Protection (MassDEP), the Governor has recommended \$51.9 million, an increase of almost \$6.5 million over the previous year's funding. Overall, the Governor's appropriations to the Executive Office of Energy and Environmental Affairs (\$105 million) and its attendant agencies, represents 1% of the Commonwealth's overall budget – something the Governor and Lt. Governor Kim Driscoll campaigned on.

On education, the Governor's budget proposes to fully fund the Student Opportunity Act with significant investments in Chapter 70 school aid and other local aid accounts. It supports state-subsidized early education and care, increasing childcare slots and putting the state on a path toward universal Pre-K, starting in Gateway Cities. The Governor's proposed budget also expands access for high school students to quality early college and career pathways, creates the new MassReconnect program to make community college free for students aged 25 and older, and locks in a four-year tuition freeze across the UMass system.

On transportation, the Governor's proposal includes start-up funding for a means-tested program for thousands of low-income MBTA riders, and to spur progress on key projects like West-East Rail, the Red-Blue Connector, and the electrification of the state's bus fleet. The proposed budget also dedicates funding within various departments in the Executive Branch to maximize the state's ability to compete for federal grant dollars with matching funds for infrastructure and other projects.

The Massachusetts House of Representatives will consider its own budget proposal in April of this year. The Massachusetts Senate will follow suit in May with a Conference Committee appointed shortly thereafter in the hopes of delivering a final FY'24 budget proposal to the Governor for her approval before the start of the new fiscal year on July 1st. To review the Governor's filing letter, budget message, and specific line-item information, please visit: <https://budget.digital.mass.gov/govbudget/fy24/appropriations/>.

Tax Relief Back on the Table; Healey-Driscoll Administration Files New Plan

At the same time her Administration unveiled its first fiscal year budget, Governor Healey also unveiled her proposal for tax relief. Long a part of her campaign for the state's highest office, Governor Healey proposed a package of large and small initiatives including, but not limited to:

estate tax reform, an increased child care tax credit, a reduction in short term capital gains, as well as a variety of other proposals. The total tax package of her proposals amounts to approximately \$859 million. Specifically, the Governor's fiscal year 2024 budget plan funds a tax relief package of \$742 million net to budget, or \$859 million gross in the first year. As the Governor filed her tax relief proposal in conjunction with her budget proposal; not part of the budget proposal, it will then be up to the House to determine which initiative moves forward first.

Among the major initiatives included in the new tax proposal are:

- A Child and Family Tax Credit that will benefit 700,000 taxpayers and over one million dependents by providing families with a \$600 credit per dependent, including children under 13, people with disabilities, and senior dependents aged 65 and older. (\$458 million in tax relief).
- Increase the rental deduction cap from \$3,000 to \$4,000, helping to offset the cost of high cost of housing for 880,000 renters. (\$40 million in tax relief).
- Double the maximum Senior Circuit Breaker Credit for low-income seniors with high property taxes or rent from \$1,200 to \$2,400. (\$60 million in tax relief).
- Reducing the short-term capital gains tax from 12 percent to 5 percent to be more competitive with other states. (\$117 million in tax relief).
- Providing estate tax relief for all estates with a new credit of up to \$182,000 that would eliminate the tax liability for estates valued at up to \$3 million. (\$167 million in tax relief).

Additional tax reforms totaling \$17 million, include:

- Housing Development Incentive Program (HDIP). Increase the \$10 million annual cap on HDIP credits to \$50 million in the first year, and \$30 million per year moving forward for developers as an incentive to produce more market-rate housing in the state's Gateway Cities.
- Apprenticeships Tax Credit. Improve access to apprenticeships for workers by expanding the list of occupations that qualify for employer tax credits and doubling the statewide cap on credits to \$5 million.
- Dairy Tax Credit. Increase the statewide cap from \$6 million to \$8 million to protect the state's dairy farmers from fluctuations in wholesale milk prices.
- Live Theater. Promote local live theater productions with a new credit for a share of payroll, production and transportation costs for qualifying productions.
- Title V. Double the maximum credit to \$12,000 (40 percent of \$30,000) for expenses incurred at a primary residence for repair or replacement of failed cesspool or septic systems.
- Lead Paint Abatement. Double the allowable deductions to \$3,000 for full lead paint abatement and \$1,000 for partial abatement.
- Local Cider. Promote more locally produced hard cider and still wine by allowing higher-alcohol content ciders and wines (up to 8.5 ABV) to qualify for lower tax rates typically reserved for low-alcohol content products.
- Student Loan Repayment. Exempt employer assistance with student loan repayment from income taxation for student borrowers.
- Commuter Transit Benefits. Add regional transit passes and bike commuter expenses, such as bike-share memberships, purchases and storage, to those that qualify for tax deductions, alongside existing expenses like tolls and MBTA passes.

- **Brownfields.** Extend the brownfields tax credit program, currently set to expire in 2023, through 2028. This program allows taxpayers to claim a credit for costs related to cleanup of contaminated properties.

The Massachusetts legislature will now conduct a series of public hearings on the Governor's budget proposal and the tax relief package. While the Governor's FY24 budget was referred to the House Committee on Ways and Means, the Governor's tax package was sent to the Joint Committee on Revenue. It is unclear at this time whether the two initiatives will move in tandem or whether they will be taken up at different times. To review the Governor's tax relief and tax reform proposal, please visit: <https://malegislature.gov/Bills/193/H42>.

Massachusetts House Passes Supplemental Budget; Funding Included for Key Programs

In one of the first major votes of the new legislative session, the Massachusetts House of Representatives passed a supplemental budget that included \$223 million net (\$353 million gross) of direct appropriations and \$585 million worth of bonding authorizations. In addition, the supplemental budget included pandemic-era policies that allowed for remote public meetings, electronic notarization, outdoor dining, and the ability for restaurants to serve alcohol to-go.

The recently passed supplemental budget includes most of what Governor Healey's original filing requested. Included therein was approximately \$86 million toward the emergency shelter system, \$130 million to keep expanded nutrition assistance available and \$65 million for the universal school meals program. The House also included in its redraft \$68 million in early education and workforce stabilization grants.

The legislation also includes elements of the bond bill filed by Governor Healey at the beginning of the session. The Governor's bond bill reflected language and authorizations that were originally part of the legislature's economic development bill that did not make it across the finish line during the previous year's formal sessions. Since bonding authorizations require roll call votes, the Massachusetts House and Senate were unable to include them in their late session package. Of particular note to UCANE members, the legislation includes \$400 million for the MassWorks program, and \$104 million for the Clean Water Trust to help finance municipalities' efforts to improve local water quality.

With respect to the extension of COVID era policies, the legislation includes language extending both the state's permission for restaurants to sell beer, wine and cocktails for take-out and authorization for expanded outdoor dining from April 1, 2023 to April 1, 2024. The bill would also extend the authority for public bodies, agencies, and commissions to hold their meetings remotely until March 31, 2025, two years from the current expiration date of March 31, 2023. The bill also extends remote town meetings and the ability of towns to adjust town meeting quorums to the same date. Public bodies are required to provide "adequate, alternative means" of public access to their meetings and for members of those groups to participate in deliberations remotely. The Massachusetts Municipal Association made the extension of the COVID era policies a priority at the start of this session.

The Massachusetts Senate is expected to take this legislation up in early March. When passed, the legislation will allow for the Governor to put her approval on one of her first major pieces of legislation. To view the House version of the supplemental budget, please visit: <https://malegislature.gov/Bills/193/H57>.

Leadership Positions Announced in the House and Senate

House Speaker Ron Mariano and Senate President Karen Spilka made their respective leadership and committee appointments in mid-February.

On the House side, the biggest leadership announcement saw Representative Mike Moran assume the position of Majority Leader, while Representative Alice Peisch (Assistant Majority Leader), and Representative Frank Moran (2nd Assistant Majority Leader) rose to higher positions. Representative Kate Hogan remains Speaker Pro Tempore and Representative Sarah Peake returns as 2nd Assistant Majority Leader as well. Representative Ruth Balsler, Representative Jim O'Day, Representative Danielle Gregoire, and Representative Paul Donato will assume the role of Division Chairs. Representative Aaron Michlewitz remains the Chair of the House Committee on Ways and Means.

On the Senate side, the upper leadership remains virtually the same as Senator Cynthia Creem of Newton (Majority Leader), Senator Will Brownsberger (Senate President Pro Tempore), Senator Joan Lovely, Senator Michael Barrett and Senator Sal DiDomenico (Assistant Majority Leaders), Senator Michael Rush (Majority Whip), and Senator Julian Cyr (Assistant Majority Whip) return to their positions. Senator Mike Rodrigues remains the Chair of the Senate Committee on Ways and Means.

In terms of committees that oversee issues of interest to UCANE, the following appointments were made:

- Joint Committee on the Environment and Natural Resources, Representative Dan Cahill and Senator Becca Rausch. (i.e. Water infrastructure, air and water quality; emissions).
- Joint Committee on State Administration, Representative Antonio F.D. Cabral and Senator Nick Collins. (i.e. public procurement; construction matters; MWE/WBE issues).
- Joint Committee on Consumer Protection and Professional Licensure, Representative Tackey Chan and Senator John Cronin. (i.e. licensing of trades).
- Joint Committee on Transportation, Representative Bill Straus and Senator Brendan Crighton. (i.e. transportation funding; road safety; tolling).
- Joint Committee on Labor and Workforce Development, Representative Josh Cutler and Senator Pat Jehlen. (i.e. wage and benefit laws; employer-employee issues).

Representative Brad Jones will return as the House Minority Leader while Senator Bruce Tarr will return as the Senate Minority Leader. The House Clerk remains Steve James; the Senate Clerk remains Michael Hurley. With committee and leadership assignments now completed, the respective Clerks will begin to distribute the over 6,000 bills to committees of first review.

MWRA Rates Reflect Six Percent Increase in Water Use

The average annual cost of household water and sewer bills in communities fully served by the Massachusetts Water Resources Authority (MWRA) is projected to rise by about \$20 in fiscal year 2024. The MWRA's proposed fiscal year 2024 budget calls for an overall increase of 3.4% in

revenue from MWRA rates, a 3.9% increase for water assessments and a 3.1% increase for sewer assessments.

According to a memorandum prepared by MWRA Executive Director Fred Laskey, “[p]reliminary fiscal year (FY) 2024 assessments are based on each community's share of calendar year (CY) 2022 water use of 66.099 billion gallons, a 6.1% increase compared to CY21 water use of 62.294 billion gallons. Changes in FY24 water assessments for customer communities compared to FY23 assessments will vary considerably, depending on each community's use of water and how that use factors into their share of the water system in CY22 compared to CY21. This is particularly true for communities that receive only part of their water from MWRA.”

Among municipalities fully served by MWRA water and sewer, Boston will provide about 40% of the combined projected assessment in fiscal 2024, a 1.1% increase. Stoneham (1.5% of the total projected assessment) will be paying 7.4% more and Everett (2.6%) is projected to pay 0.5% less. On average, fully served communities will be paying 2.2% more for water and sewer in fiscal 2024. For communities that are only partially served by MWRA water and sewer, the average combined increase is estimated to be 9.8%.

Sewer-only cities and towns are looking at a projected increase of 4.9%, water-only communities are projected to pay an average of 9% more, and partial water-only towns are estimated to see an average 7.2% increase. Sewer assessments are based on each community's "three-year average of annual wastewater flow, maximum month flow, strength of flow, census population, and sewered population.”

For more information about the MWRA’s rate structure, please visit: <https://www.mwra.com/finance/rates/aboutrates.htm>.

News in Brief

Welch Takes Over at ASM. Former Senator Jim Welch was announced as the new Executive Director and CEO of the Associated Subcontractors of Massachusetts (ASM) in February. Mr. Welch, who was a State Representative for six years and then a State Senator for 10 years, was known as a reasonable, well-liked consensus builder during his time on Beacon Hill. While in the Massachusetts Senate, Mr. Welch was the Chair of the Joint Committee on Health Care Financing and the Joint Committee on Financial Services, respectively. Mr. Welch received a bachelor's degree in business management from Westfield State University and lives in West Springfield.

Santiago and Coppinger Leave Legislature. Representative Jon Santiago was named the Commonwealth’s first Secretary of the Executive Office of Veteran Services by Governor Healey in February. Mr. Santiago, an emergency room physician at the Boston Medical Center and US Army reservist, served in the Massachusetts legislature since 2018. Representative Ed Coppinger also announced that he was leaving the House of Representatives to lead MassBIO’s government affairs team. Mr. Coppinger, a 13-year member of the body, will work under the organization’s new leader, Ms. Kendalle Burlin O’Connell.

Senate Eliminates Term Limit on Senate President Position. The Massachusetts Senate’s rules debate saw the body draw even with the House and constitutional officers by eliminating the term limit for its leadership position. The Senate voted 32-6 to eliminate the eight-year term limit attached to the position of Senate President. The Massachusetts House of Representatives

eliminated its term limit on the Speaker of the House position a number of years ago. No term limits exist for any of the constitutional officers.

Williams and Vargas to Lead Black and Latino Caucus. The Massachusetts legislature's Black and Latino Legislative Caucus announced that Representative Bud Williams will serve as its Chair while Representative Andy Vargas will serve as Vice Chair. Representative Williams, currently in his fourth term on Beacon Hill, is returning this session as House Chair of the Joint Committee on Racial Equity, Civil Rights and Inclusion. Representative Vargas, elected in 2017, is the House Vice Chair of the Joint Committee on Economic Development and Emerging Technologies Committee. The caucus of Black and Latino lawmakers is comprised of four senators and 21 representatives.