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Governor Baker Announces Mid-Year Budget Cuts

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On Friday, January 8, Governor Charlie Baker ordered $49 million in emergency spending cuts aimed at erasing a projected state budget shortfall. In a **letter to state lawmakers**, Baker said his administration had identified a $320 million gap between projected spending and revenues through the end of the fiscal year in July.

Secretary of Administration and Finance Kristen Lepore **wrote in a letter to Baker** that the majority of the shortfall, approximately $205 million, is a result of the failure of budgeted non-tax revenue, such as fees and fines, to materialize. Another "substantial portion" of the shortfall, according to Lepore, reflects non-discretionary spending obligations that were not budgeted for, including private compensation costs, human service caseload exposures, and settlement and judgement costs.

The emergency cuts trim spending from **63 individual line items** in the state budget. The largest savings come from a $16.3 million cut from the early retirement incentive program Baker instituted last year. Savings from the program, which boost pensions for public workers who retired early, come from spending less on hiring replacement workers than the budget expected. Baker also cut $10 million from the MassHealth line item for infrastructure and capacity building grants aimed at improving health care delivery and payment systems.

Several million in cuts are a result of "fuel savings" from a variety of state agencies, including the state police, public hospitals, and mental health facilities, among others, that are likely related to the falling price of oil. Additional cuts include $1.1 million for the Small Business Capital Access Program, $2 million from the domestic marketing budget of the Office of Travel and Tourism, $200,000 for a state climatologist, $1.5 million from the Big Data Innovation and Workforce Fund, and $250,000 for evidence-based programming grants.

The administration identified nearly $56 million in new, non-tax revenue, mostly by claiming higher federal reimbursements and drawing $23 million from abandoned or unclaimed property. Baker also told lawmakers that he anticipates raising projections soon for the current fiscal year's tax revenues, which could further close the budget gap and lessen the need for additional cuts. Tax revenues are currently $114 million above benchmarks through December. Lepore stressed that the administration's corrections "do not raise taxes or fees and will not affect the state's ability to deliver core services."

Massachusetts governors are empowered under Section 9C of Chapter 29 of the Massachusetts General Laws to make mid-year budget cuts if anticipated revenues will not match expenditures. These cuts represent the second consecutive fiscal year Baker has made mid-year cuts, though this year's reductions are far smaller than the budget fixes he made shortly after taking office

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