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# MTF Bulletin

April 29, 2024

## FY 2025 House Final Budget

The House finalized its **\$58.07 billion** Fiscal Year (FY) 2025 budget last week after adding \$95.8 million in spending over the course of three days of debate.

The House took action on 1,495 amendments through a combination of 7 consolidated amendments and 2 separate votes. Some version of at least 734 amendments were adopted; 708 added new spending and 28 added or amended policy sections or budget language. The vast majority of the amendments adopted (690) added earmarks for specific communities, programs, and projects across the state. This brief summarizes the House debate action and assesses the new spending and policy proposals.

### FY 2025 Spending Summary

	FY 2025 Governor	FY 2025 HWM	House Floor	FY 2025 House Final	\$ vs. Governor
Line-Item Spending	\$56,152.2	\$55,994.6	\$95.8	\$56,090.4	-\$61.8
Surtax Spending	\$1,300.0	\$1,300.0	\$0.0	\$1,300.0	\$0.0
Medical Asst. Trust Fund	\$682.2	\$682.2	\$0.0	\$682.2	\$0.0
<b>Total Spending</b>	<b>\$58,134.4</b>	<b>\$57,976.8</b>	<b>\$95.8</b>	<b>\$58,072.6</b>	<b>-\$61.8</b>

*\$ in millions*

The FY 2025 House Budget now includes \$58.07 billion in total line-item spending, \$2 billion (3.6 percent) more than the FY 2024 GAA and \$62 million (0.1 percent) less than Governor Healey’s proposal. The House Ways and Means (HWM) budget originally spent approximately \$150 million less than the Governor, but now line-item spending across the two proposals is nearly equal.

Over the course of three days of debate, the greatest amount of spending was added in the areas of Labor and Economic Development; Education and Local Aid, Social Services, and Veterans; and Public Health, Mental Health, and Disability.

## House Debate – Spending Overview

Through the adoption of 7 consolidated amendments, the House added **\$95.8 million** in new spending on the floor. This figure is \$33.9 million less than the amount of spending added during House debate in FY 2024, which totaled \$129.7 million; and \$12.6 million less than the three-year average for House debate spending of \$108.5 million.

Approximately 84 percent (\$80.3 million) of new spending is attributable to earmarks for specific communities, organizations, or projects; while 16 percent (\$15.5 million) is related to programmatic increases or new line-items.

*FY 2025 House Floor Spending by Category*

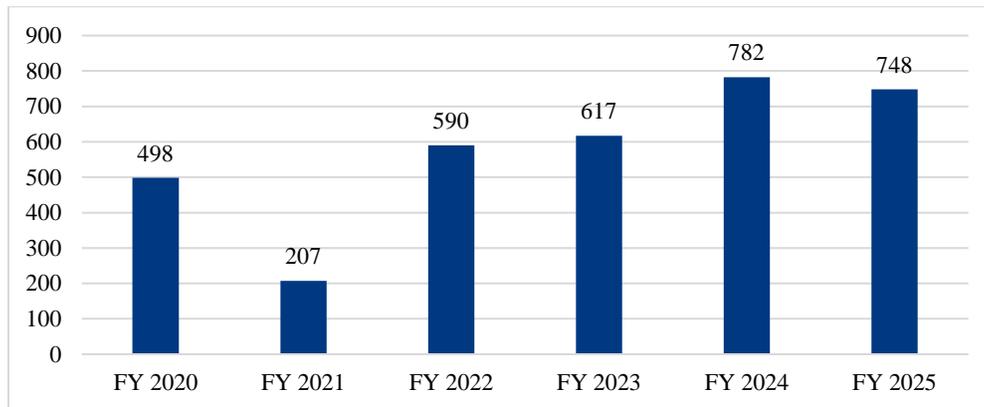
Category	Total Fiscal Note	Earmark Spending	Non-Earmark Spending
Education & Local Aid/Social Services/Veterans	\$21.13	\$19.86	\$1.27
Health and Human Services and Elder Affairs	\$6.68	\$5.93	\$0.75
Public Safety and Judiciary	\$10.14	\$7.86	\$2.28
Public Health/Mental Health and Disability	\$15.70	\$13.70	\$2.00
Constitutional Officers & State Admin/Transportation	\$6.53	\$1.33	\$5.20
Energy and Environmental Affairs, Housing	\$8.24	\$8.24	\$0.00
Labor and Economic Development	\$27.43	\$23.41	\$4.02
<b>Total Spending</b>	<b>\$95.84</b>	<b>\$80.32</b>	<b>\$15.52</b>

*\$ in millions*

**Earmark Spending**

The House added 748 earmarks to its budget during debate; comprising \$80.3 million in new spending. This is 34 fewer earmarks than were added to the HWM budget in FY 2024, but 250 more than we’re added in FY 2020, the last budget adopted prior to the pandemic. Since FY 2021, the number of earmarks added to the state budget has increased substantially, a reflection of the increased state tax revenue collections experienced in FY 2021 and FY 2022.

*House Earmarks Added by Year, FY 2020 – FY 2025*



The number of earmarks added to the House budget exceeds the number of amendments that were adopted because one amendment may include multiple earmarks. Additionally, the consolidated amendment process allows new earmarks to be adopted to the budget without an underlying amendment having been filed. In FY 2025, the House adopted 48 earmarks that were not originally filed as amendments.

In FY 2025, the median value of an earmark added to the House budget is \$50,000; and while the majority of earmarks carry a modest cost, combined they make up a significant amount of

spending. Additionally, while earmarks provide one-time benefits for a variety of purposes across the state, they also limit the resources available for other uses. For example, earmark spending may come at the expense of increases for competitive grant programs that fund similar projects using more transparent metrics.

*FY 2025 House Earmark Spending by Category*

Category	Earmark Spending	# of Earmarks
Education & Local Aid/Social Services/Veterans	\$19.86	120
Health and Human Services and Elder Affairs	\$5.93	36
Public Safety and Judiciary	\$7.86	66
Public Health/Mental Health and Disability	\$13.70	71
Constitutional Officers & State Admin/Transportation	\$1.33	29
Energy and Environmental Affairs, Housing	\$8.24	101
Labor and Economic Development	\$23.41	325
<b>Total Earmark Spending</b>	<b>\$80.32</b>	<b>748</b>

*\$ in millions*

**Other Notable Spending**

The House added **\$15.5 million** in non-earmark spending, including funds for new line-items and other statewide programs. Notable funding increases include:

- \$5 million for the Group Insurance Commission to support an increase in minimum life and accidental death and dismemberment insurance for all state employees from \$5K to \$7.5K in FY 2025.
- \$1.5 million for the HIV/AIDs Prevention Treatment and Services program under the Department of Public Health, bringing total funding for the program to \$32 million.
- \$1 million for the METCO program, increasing total funding for the program to \$30.4 million.
- \$1 million to support a new line-item for the Project Safe Neighborhood grant program.
- \$750K for the Reach Out and Read Program under the Department of Early Education and Care, bringing total funding for the program to \$1.75 million.
- \$750K for the Elder Nutrition Program, increasing total funding to \$11.8 million.
- \$500K for the Massachusetts Legal Assistance Corporation, for a total funding level of \$53 million.
- \$500K for a transfer to the Genocide Education Trust Fund, which supports the instruction of middle and high school students on the history of genocide.

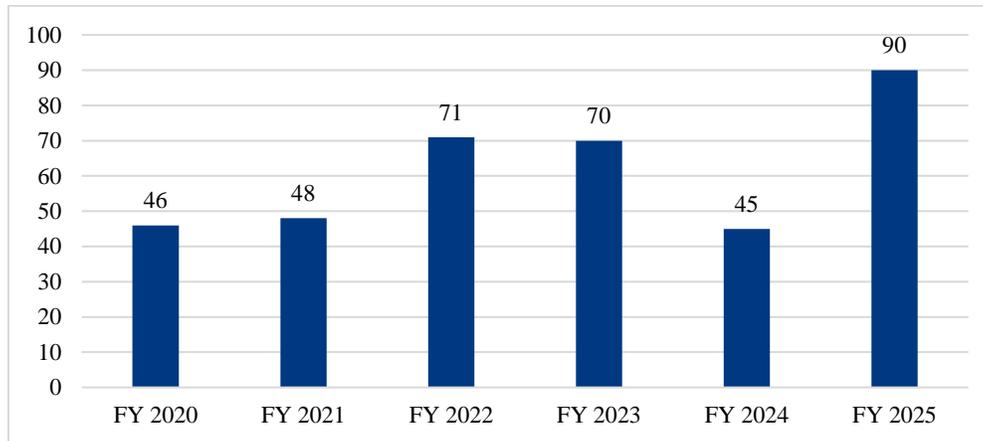
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**House Debate – Policy Sections**

Over the course of House debate, 90 new outside section policy sections were added and 18 sections were changed through the adoption of 28 amendments. This is a notable increase in newly

added sections from the 45 policy sections added to the budget in FY 2024, and the most added since FY 2017 (91 sections).

*House Policy Sections Added by Year*



Notable policy amendments:

- ***Hospital Assessment*** (Sections 30A, 31, 37, 53, 54, 56, 58, 59, 61, 62, 85, 86, 104, 105) – Amends a number of sections that make significant changes to the state’s hospital assessment system. Compared to the proposal included in the Governor’s budget and the HWM budget, this amendment increases the total hospital assessment by \$605 million; allowing for up to \$1 billion in additional rate payments and generating a net benefit to hospitals of approximately \$440 million. This proposal is expected to generate \$75 million in savings for the state in FY 2025, and ongoing savings of \$100 million.
- ***Conservation Land Tax Credit*** (Section 40A – 40E, 41A – 41E, 104A – 104D) – Increases the conservation land tax credit from \$2 million to \$5 million over a three-year period (tax years 2026 to 2028). The tax credit would remain at \$5 million until December 31, 2034 before reverting back to \$2 million.
- ***Sales Tax Exemption for Publications from Tax Exempt Organizations*** (Section 42) – Amends the elimination of the sales tax exemption for publications of non-profit entities by preserving the exemption for publications produced in an accessible format for visually impaired individuals. In FY 2024, this sales tax exemption was valued at \$23 million.
- ***Layoff Impact on Teacher Diversity Study*** (Section 83A) – Requires the Department of Elementary and Secondary Education to file a legislative report on the impacts of lay-off requirements on teacher diversity. The report shall include an analysis of the demographics of the teachers that were laid-off during the 2023-2024 and 2024-2025 school years, data on the performance evaluations of teachers that were laid-off, and an analysis of the disproportionate impacts of lay-offs on teachers of color.
- ***Group Insurance Commission Benefits*** (Sections 38 <sup>1</sup>/<sub>4</sub> - 38 <sup>7</sup>/<sub>8</sub>) – Increases the minimum life and accident insurance benefit for state employees and retirees from \$5K to \$7.5K in

FY 2024, and from \$7.5K to \$10K beginning in FY 2026. To support this increase, funding for the Group Insurance Commission was also increased by \$5 million.

- **Lottery Modernization Committee** (Sections 78A, 78B) – Establishes a stakeholder lottery modernization committee comprised of representatives from convenience stores, retailers, and restaurants. The committee is directed to make recommendations to the lottery commission on the modernization of the brick and mortar lottery and online lottery systems.

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### **Bottom Line**

The House added **\$95.8 million** in new spending over the course of three days of debate; \$33.8 million less than what was added in FY 2024 and \$12.6 million less than the three-year average of house floor spending of \$108.5 million. Total spending in the FY 2025 House Final budget equals \$58.07 billion, still \$62 million less than the total proposed by the Governor.

The new spending added for FY 2025 is heavily weighted towards earmarks, while new programmatic funding represents only 16 percent of investments. The category of spending that saw the largest increase was Labor and Economic Development, predominantly driven by over 200 local earmarks added to just one line-item. Other areas of investment, including education and healthcare also saw large increases.

The House added 90 outside section policies to their budget during debate, with the most significant policy changes related to the state’s hospital assessment structure.

The Senate Committee on Ways and Means (SWM) is now expected to release their budget proposal during the second week of May. The main questions to watch going forward include:

1. Will the Senate maintain a level of spending growth that is consistent with expected revenues?
2. Will the Senate adopt the same new one-time and ongoing revenue-generating initiatives as the Governor and House to support new spending?
3. How will the Senate divide income surtax revenues between education and transportation, and what investment areas will they prioritize?