



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

MTF BRIEF

April 12, 2023

House Ways & Means Budget – 5 Things to Know

1. The HWM budget reflects the first year phase-in of a **\$1.1 billion tax policy reform package** unveiled by the House earlier this week. In FY 2024, the reforms are anticipated to cost \$654 million, with a net to budget impact of \$587 million. Compared to the Governor’s proposal, the House achieves cost savings by phasing in several provisions over time. Governor Healey’s tax plan had a FY 2024 cost of \$859 million, and a net to budget impact of \$742 million.
2. HWM’s spending plan **creates a process to collect, track, and use income surtax revenues** that is more complicated than the plan proposed by the Governor (details on page 2).
3. The HWM budget **directs \$1 billion in new income surtax revenue towards investments in education and transportation**. Compared to the Governor’s budget, HWM directs greater shares of surtax spending towards K-12 education, the MBTA, and regional transit programs; while also investing in early and higher education.
4. In FY 2024, HWM **prioritizes investments across the education sector**; funding the continuation of several pandemic era programs through the state’s operating budget and proposing new investments for the state’s workforce pipeline and education facilities:
 - \$161 million for the continuation of Universal School Meals.
 - Up to \$490 million for the C3 Childcare Stabilization grant program.
 - \$100 million for a new Green School Works program.
 - \$50 million to fund scholarships for in-demand professions.
 - \$20 million for the MassReconnect program to provide cost-free community college to adults ages 25 and older.
5. The HWM budget **includes 47 outside policy sections**, 18 more than proposed by the Governor. HWM’s policy proposals focus primarily on:
 - Legalization of iLottery.
 - Adding the Mayor of Boston to the MBTA Board.
 - Creating a ConnectorCare pilot program to significantly increase subsidy eligibility.
 - Requiring all schools to provide free school breakfast and lunch.



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

HWM Budget – Income Surtax Collection and Spending

HWM and the Administration dedicate certified surtax revenue to a new trust fund and separate surtax spending into a new budget section, but HWM proposes a more complicated approach to establishing an annual surtax spending threshold and allocating revenues above that annual spending limit:

Administration vs. HWM Surtax Structure

Proposal	Governor's Budget	HWM Budget
Annual Spending Cap	\$1B in FY 2024; permanent cap in FY 2026 annually adjusted for inflation	\$1B in FY 2024; subject to ANF/HWM/SWM agreement annually thereafter
Collections Above the Cap	Available for One-Time Use	15% to Surtax Stab Fund. 85% to Innovation Fund
Reserve amount	Minimum of 33% of spending cap	Maximum of 33% of spending cap
New Trust Funds	1	3
New Budget Section (2F)	Yes	Yes
Line-Item Language Specifies One-Time vs. Recurring Costs	Yes	No
Exempt from 62F	Yes	Yes
Exempt from Capital Gains Stabilization Fund Transfer	Yes	Yes

HWM, like the Governor, includes \$1 billion in surtax spending, split evenly between education and transportation. Of the spending, \$475 million is shared with the Governor’s proposal and \$525 is unique.

House and Administration Surtax Spending

Category	Area	Governor's Budget	HWM Budget	Shared Spend	HWM Unique Spend
Transportation	Regional transit	\$25	\$70	\$25	\$45
Transportation	MBTA & ferry	\$189	\$330	\$181	\$149
Transportation	MassDOT & projects	\$277	\$100	\$100	\$0
Early education	C3 Grants and other early education	\$140	\$65	\$65	\$0
K-12	Early College	\$10	\$0	\$0	\$0
K-12	School meals	\$0	\$161	\$0	\$161
K-12	Green school works	\$0	\$100	\$0	\$100
Higher education	Mass Reconnect, financial aid & scholarships	\$113	\$154	\$104	\$50
Higher education	Tuition lock, capital & support	\$247	\$0	\$0	\$0
Higher education	Endowment incentive	\$0	\$20	\$0	\$20
Total Transportation		\$490	\$500	\$306	\$194
Total Early Education		\$140	\$65	\$65	\$0
Total K-12 Education		\$10	\$261	\$0	\$261
Total Higher Education		\$360	\$174	\$104	\$70
Total		\$1,000	\$1,000	\$475	\$525