

10 Key Questions for the House Ways & Means Budget

Earlier today, the Fiscal Year (FY) 2025 budget development process officially moved to the Legislature with the release of the House Committee on Ways and Means (HWM) budget proposal. The \$57.98 billion spending plan includes significant investments in transportation, K-12 education, and housing; as well as notable policy proposals pertaining to healthcare and early education.

MTF's full analysis of the HWM budget proposal for FY 2025 can be found [here](#).

In this supplemental brief, MTF poses ten key questions about the HWM budget; identifying the similarities and differences between the House's proposal and the recommendations put forward by Governor Healey.

1. Does the HWM budget adopt the Governor's proposal to divert excess capital gains revenue towards the operating budget?

Yes. The HWM budget agrees with the Governor's proposal to use \$375 million in above-threshold capital gains tax revenue to support operating budget spending in FY 2025. Unlike the Governor, however, the HWM budget does not permanently adjust the distribution of above-threshold capital gains revenue towards the Stabilization Fund and other liabilities.

2. Does the House divide income surtax funds evenly between education and transportation investments?

No. The HWM budget dedicates \$695 million of surtax revenues towards education (53.5 percent) and \$605 million towards transportation (46.5 percent), a more even distribution compared to the Governor's budget which targeted approximately 60 percent of surtax spending towards education and 40 percent towards transportation. However, MTF supports this more equitable approach towards surtax investments.

3. What level of one-time resources are used to support spending in the HWM budget?

The HWM budget relies upon \$1.19 billion in new one-time and ongoing revenues to support spending in FY 2025, \$1.03 billion of which are strictly one-time in nature. This represents a slight decrease compared to the Governor's use of \$1.1 billion, which was the biggest such figure since before the pandemic. The HWM budget adheres to two of MTF's key principles regarding the use of one-time resources in FY 2025: (1) the total amount of one-timers does not exceed the \$1.1 billion included in the Governor's budget, and (2) it does not draw down the balance of the Stabilization Fund.

4. **Does the House adopt the Governor’s proposal to permanently direct \$250 million of income surtax revenue towards the Commonwealth Transportation Fund to support additional capital investments?**

Yes. The HWM budget includes the Governor’s proposal to permanently dedicate \$250 million in income surtax revenue towards the Commonwealth Transportation Fund. Outside policy language also states that the surtax revenues deposited into the CTF shall support MBTA operating costs at \$127 million, MassDOT operations at \$60 million, and debt service costs at \$63 million. Ultimately, the automatic deposit of these resources into the fund will allow the state to expand its borrowing capacity by up to \$1.1 billion over the next 5 years.

5. **Does the House adopt the Governor’s proposal changes to hospital and payor assessments?**

Yes. The HWM budget includes significant changes to the assessment structures for insurers and hospitals, largely reflecting the proposal put forward by the Healey administration. The intent of these changes is to simplify the current assessment system, while also generating additional revenue and savings for the state. After accounting for increased payments to insurers and healthcare providers, in FY 2025 the HWM proposal will generate an additional \$57 million in General Fund revenue and reduce General Fund payments to health care trust funds by approximately \$75 million.

6. **Does the HWM budget decouple growth in local aid for cities and towns from expected revenue growth?**

Yes. The HWM budget increases funding for Unrestricted General Government Aid by \$12.7 million, or 1 percent, compared to the FY 2024 GAA. This is a notable decrease in funding compared to the Governor’s budget, which increased direct support to cities and towns by 3 percent over the prior year. Despite increases to local aid for cities and towns in recent years, the HWM budget funds UGGA at a level less than expected state tax revenue growth (2 percent).

7. **Does the House maintain funding for C3 Childcare Operational Grants at \$475 million, and what funding sources are used to support the program?**

Yes, the HWM budget maintains funding for the C3 Childcare Operational Grant program at \$475 million. However, the program is funded using three distinct sources of revenue across three different line-items. Line-item language also specifies how different sources of funding shall support different types of providers. While the intent of this proposal may be to prioritize funding for providers serving families receiving Child Care Financial Assistance, it may also create challenges for the Department of Early Education and Care in administering the program.

8. **Does the HWM budget continue to support Student Opportunity Act implementation, moving towards full implementation by FY 2027?**

Yes. The HWM budget fully funds the fourth year of Student Opportunity Act implementation, keeping the state on track towards full implementation of the law by FY 2027. While stagnant student enrollment and low inflation have depressed year over year growth in state aid, the HWM budget directs additional support towards school districts by increasing the minimum aid per pupil amount to \$104. This

proposal, in combination with other minor adjustments to the Chapter 70 aid calculation, increases state aid for public schools by \$45 million compared to the Governor and benefits over 200 school districts.

9. Does the House adopt the Governor’s proposal to dedicate a portion of surtax revenues towards education capital needs?

No. The HWM budget does not include the Governor’s proposal to permanently dedicate \$125 million of income surtax revenue towards education-related capital projects. The HWM budget dedicates a total of \$158 million in surtax resources towards the higher education sector and prioritizes supporting existing programs, including the MassReconnect program, financial aid expansion, and the endowment incentive program. The one exception is their creation of a new State University SUCCESS Grants Program, funded at \$14 million.

10. Does the HWM include more detailed reporting requirements for workforce programs in the budget?

The HWM budget includes the same reporting requirements for the Demonstration Workforce Development Program that were in the FY 2024 GAA line-item. However, reporting requirements are not included for several other major workforce programs. HWM does not include reporting requirements for the Summer Jobs for At-Risk Youth program, Dual Enrollment Grant and Subsidies, and the EEC Provider Higher Education Opportunities line-items. The lack of reporting requirements for these programs is consistent with the FY 2024 GAA but continues to create challenges when determining the program’s outcomes and impact on the workforce.