



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

MTF Bulletin

June 20, 2025

Fiscal Year (FY) 2026 Conference Committee Preview

Reconciling Revenue & Spending Differences Between the House & Senate Final Budgets



The Fiscal Year (FY) 2026 budget development process has now entered one of its final stages, Conference negotiations. The Conference Committee, led by the Chairs of the House and Senate Committees on Ways and Means, must reconcile all spending, policy, and technical differences between the budget bills passed by each branch; with the goal of delivering a final spending plan to Governor Healey's desk by July 1st.

This year, budget negotiations are also taking place at a time when changing economic trends and the impacts of federal actions have raised legitimate questions about the appropriateness of adjusting FY 2026 revenue expectations.

Through a series of Conference Committee previews, MTF will be reviewing several of the major decisions faced by House and Senate budget negotiators:

- *Reconciling Revenue and Spending Differences Between the House and Senate Final Budgets.*
- *Re-Evaluating FY 2026 Revenue Estimates.*
- *Fulfilling the Recommendations of the Transportation Finance Task Force.*

In this first installment, MTF will summarize the House and Senate Final Budgets: identifying shared and unique spending items, evaluating available resources, and estimating the spending and resource gap that must be addressed to produce a balanced budget. This brief will also compare the substantive policy differences between the two bills.

Reviewing the House & Senate Budgets

After several days of debate in each chamber, the House and Senate finalized their respective spending plans for FY 2026. The House budget includes \$61.6 billion in total spending, while the Senate budget includes \$61.5 billion – a difference of just \$70 million.

Both budgets propose increasing spending over the FY 2025 General Appropriations Act (GAA) by at least \$3.7 billion (6.4 percent) and they both spend approximately \$500 million less than Governor Healey’s original recommendation.

FY 2026 Line-Item Spending in the Governor, House, and Senate Budgets

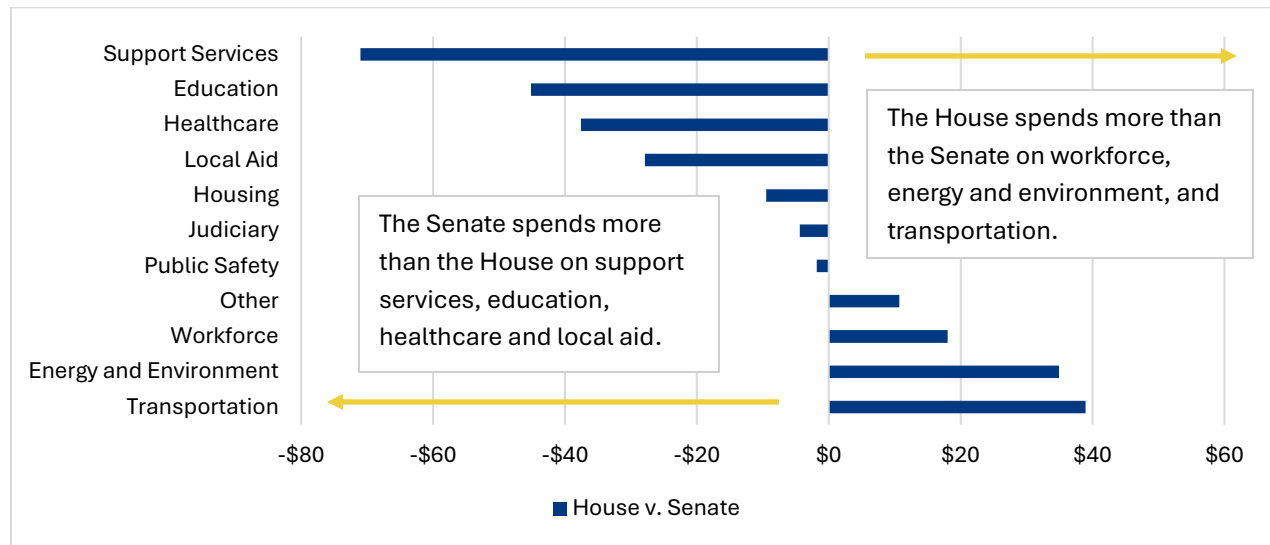
	FY 2025 GAA	FY 2026 Governor	FY 2026 House Final	FY 2026 Senate Final
Line-Item Spending	\$55,779.3	\$59,577.3	\$59,079.5	\$58,977.7
Surtax Spending	\$1,300.0	\$1,950.0	\$1,950.0	\$1,950.0
Medical Asst. Trust Fund	\$682.2	\$547.6	\$547.6	\$547.6
BH Outreach, Access, Support	\$20.0	\$0.0	\$0.0	\$31.5
Total Line-Item Spending¹	\$57,781.5	\$62,074.9	\$61,577.1	\$61,506.8

\$ in millions

While at a high-level the spending differences between the House and Senate budgets appear marginal, there is nearly \$1 billion in unique spending initiatives across the two bills.

The chart below compares non-surtax spending across different categories of investment, clearly illustrating the Senate’s focus on funding for support services, education, and healthcare; as well as the House’s investments in workforce, energy and environment, and transportation.

House v. Senate Spending in FY 2026 (non-surtax)



\$ in millions

¹ MTF includes in its line-item spending totals the proposed deposits into the Commonwealth Transportation Fund that are reserved for debt services, as well as a \$20 million transfer to the Behavioral Health Outreach, Access, and Support Trust Fund included in the Senate budget.

Understanding where the House and Senate budgets are aligned and where they diverge is a crucial first step for Conference Committee negotiations. However, before spending decisions can be made, budget writers must agree on the revenues and resources that are available to support that spending.

Budget Revenues

The House and Senate built their budgets using the same consensus tax revenue foundation of \$41.2 billion, excluding surtax revenue. After accounting for statutorily required transfers, as well as the standard deposit into the Stabilization Fund of excess capital gains revenue, both budgets have access to \$32.9 billion in consensus tax revenues.

In addition, MTF estimates that both bills share \$24.8 billion in non-tax revenues and assume \$50 million in revenue related to tax settlements and judgements. This provides the Conference Committee with at least \$57.6 billion in starting resources.

MTF Estimate of House & Senate Shared Revenue Assumptions

Type of Revenue	Amount
Consensus Tax Revenue Estimate	\$41,214
Statutorily Required Transfers	-\$7,651
Excess Capital Gains Transfer to Stabilization Fund	-\$666
Tax Settlements & Judgements	\$50
Shared Non-Tax Revenues	\$24,812
Initial Estimate of Available Revenues	\$57,759

\$ in millions

Revenue-Generating Initiatives

As MTF reported throughout the budget development process, each FY 2026 budget proposal relied on at least \$1.5 billion in one-time resources and other revenue-generating initiatives to support spending. While the House and Senate each use very similar assumptions regarding these resources, there are key differences.

In the table below, the maximum and minimum revenue assumptions associated with each proposal are compared to the House and Senate budgets. This analysis demonstrates the range of potential revenue outcomes for the FY 2026 budget. For example, if conference negotiators adopt the high-end revenue estimate for each proposal, they have access to an additional \$2 billion in resources. If the low-end estimates are adopted, they have \$1.6 billion in additional revenues.

Revenue-Generating Initiatives in FY 2026

	House	Senate	Maximum	Minimum
Revenue Initiatives	\$1,306	\$1,595	\$1,595	\$1,306
<i>COVID Recoupment</i>	\$200	\$350	\$350	\$200
<i>Gaming Fund Redistribution</i>	\$100	\$108	\$108	\$100
<i>Capital Gains Diversion</i>	\$466	\$566	\$566	\$466
<i>Tobacco Settlement</i>	\$175	\$200	\$200	\$175
<i>Other Initiatives</i>	\$365	\$371	\$371	\$365
Trust Fund Resources	\$339	\$325	\$339	\$325
<i>High-Quality EEC Trust Fund</i>	\$17	\$10	\$17	\$10
<i>EEC Operational Grant Fund</i>	\$115	\$115	\$115	\$115
<i>SOA Trust Fund</i>	\$207	\$200	\$207	\$200
Revenue Maximization Opportunities	\$36	\$33	\$69	\$0
<i>Revenue Max (untied to spending)</i>	\$21	\$13	\$34	\$0
<i>Revenue Max (tied to spending)</i>	\$15	\$20	\$35	\$0
Total Available	\$1,681	\$1,953	\$2,003	\$1,631

\$ in millions

Depending on the approach adopted by the Conference Committee on the above initiatives, trust funds, and revenue maximization opportunities, available non-surtax revenues in FY 2026 are estimated to be in the range of \$59.4 billion to \$59.8 billion. These revenue decisions, therefore, provide an upper limit to how much non-surtax spending can be included in the conference report.

MTF Estimated Non-Surtax Resources Available in FY 2026

	House	Senate	Maximum	Minimum
Initial Tax Revenues Available	\$57,759	\$57,759	\$57,759	\$57,759
Revenue Initiatives	\$1,306	\$1,595	\$1,595	\$1,306
Trust Fund Resources	\$339	\$325	\$339	\$325
Revenue Maximization Opportunities	\$36	\$33	\$69	\$0
Total Available	\$59,440	\$59,711	\$59,761	\$59,390

\$ in millions

Budget Spending

In MTF's conference analysis, non-surtax and surtax-supported spending are assessed separately when evaluating shared and unique spending priorities. Because surtax spending is subject to an annual spending cap and constitutionally dedicated to education and transportation, differences between the House and Senate proposals will likely be dealt with separately from traditional spending negotiations.

Furthermore, surtax spending decisions in the FY 2026 operating budget will be impacted by the spending decisions in the Innovation and Capital Fund supplemental budget. On June 18th, the Legislature enacted a compromise supplemental surtax budget which included \$1.32 billion in funding.

Non-Surtax Spending

Excluding surtax spending, the House and Senate budgets both include approximately \$59.7 billion in total line-item spending; and across the two proposals more than 98 percent of spending is for shared priorities (\$59.2 billion). However, despite their high-degree of similarity, there remains nearly \$1 billion in unique spending across the two bills.

The House budget includes \$437 million in spending not reflected in the Senate budget, while the Senate budget includes \$522 million in spending not adopted by the House. This amount of unique spending is approximately \$20 million greater than what conference negotiators had to reconcile in FY 2026.

Summary of House and Senate Spending Difference

Spending Category	House Unique Spending	Senate Unique Spending	Total Unique Spend ²
Healthcare	\$122.03	\$159.61	\$281.64
Education	\$87.34	\$122.47	\$209.81
Support Services	\$10.88	\$81.88	\$92.75
Economic Development	\$33.57	\$31.10	\$64.67
Housing	\$24.36	\$33.83	\$58.19
Energy and Environment	\$44.53	\$9.59	\$54.12
Other	\$23.16	\$17.59	\$40.75
Transportation	\$39.23	\$0.30	\$39.53
Public Safety	\$15.10	\$16.90	\$32.00
Local Aid	\$0.92	\$28.79	\$29.71
Workforce	\$22.26	\$4.24	\$26.49
Judiciary	\$9.50	\$13.89	\$23.39
Admin & Debt Service	\$4.53	\$1.89	\$6.42
Totals	\$437.42	\$522.08	\$959.50

\$ in millions

The categories that include the largest amount of unique spending are healthcare, education, support services, and economic development. Additionally, earmarks are historically a large driver of unique spending across the two bills, particularly in the economic development category.

The House budget includes approximately \$162 million in unique earmarks, while the Senate budget includes \$121 million for local programs and priorities. Combined, earmarks account for roughly 30 percent of all unique spending.

² MTF's estimate of unique spending accounts for budget items funding using both surtax and non-surtax revenues; for example, the Childcare Stabilization Grant program (C3).

After identifying all shared and unique spending in the House and Senate final budgets, MTF estimates the cost to include all non-surtax spending put forward by branches for FY 2026 to be approximately \$60.2 billion.

House and Senate Maximum Potential Spending (non-surtax)

	House	Senate
Total Proposed Spending	\$59,627	\$59,722
Shared Spending	\$59,200	
Unique Spending	\$437	\$522
Est. Maximum Spending Level	\$60,159	

\$ in millions

Compared to the high-end revenue estimate of \$59.8 billion, there is a gap of about \$400 million between maximum spending and available resources. That gap grows to nearly \$770 million if lower revenue estimates are used.

Maximum Spending v. Available Revenues (non-surtax)

	Max. Revenue Estimate	Min. Revenue Estimate
Est. Maximum Spending Level	\$60,159	
Available Revenues (non-surtax)	\$59,761	\$59,390
Potential Spending & Resource Gap	-\$398	-\$769

\$ in millions

Ultimately, the spending and resource gap identified by the Conference Committee will need to be closed using spending reductions agreed to by both branches. Given the larger fiscal challenges faced by the state, MTF urges budget writers not to increase revenue assumptions to cover increased spending levels. While spending items that are shared between the two branches are guaranteed to be maintained in the final budget, unique spending initiatives are mostly likely to experience spending reductions.

Surtax Spending

For FY 2026, the surtax spending cap in the operating budget is set at \$1.95 billion, representing an increase of \$650 million (50 percent) over the FY 2025 GAA spending cap of \$1.3 billion.

Using these resources, the House and Senate generally deploy a similar strategy for making targeted investments in education and transportation. Both branches dedicate a total of \$1.185 billion towards education-related programs, increase the automatic deposit of surtax revenues into the Commonwealth Transportation Fund, and use the majority of remaining surtax to maintain large new state programs like Childcare Stabilization Grants, Universal School Meals, and Free Community College.

However, these high-level similarities should not overshadow several notable differences between the two proposals:

- The House budget, in combination with the Innovation and Capital Fund supplemental budget, reflects several key components of Governor Healey's transportation finance strategy. In the

operating budget, the House uses surtax revenues to increase the operating transfer to the MBTA to \$687 million, while the Senate increases the transfer to \$500 million.

- The Senate budget directs \$165 million from the surtax towards the Education and Transportation Reserve Fund, increasing the total projected transfer into the fund in FY 2026 from \$68 million to \$232.5 million.
- The automatic deposit of surtax revenues into the Commonwealth Transportation Fund was permanently increased to \$500 million by the House and to \$600 million by the Senate. Once surtax revenues are in the CTF, they can be used to increase funding levels for transportation agencies.

In total, the House and Senate have proposed \$2.2 billion in surtax-supported investments; nearly \$300 million greater than available resources.

Summary of House & Senate Surtax Spending

	House	Senate
Total Proposed Spending	\$1,950	\$1,950
Shared Spending	\$1,631	
Unique Spending	\$284	\$319
Est. Maximum Spending Level	\$2,234	
Available Resources	\$1,950	
Surtax Spending Gap	-\$284	

\$ in millions

As MTF will further detail in an upcoming budget brief, a major priority for budget negotiators will be using surtax resources in the operating budget and supplemental budget strategically to fulfill several of the key recommendations of the Transportation Finance Task Force. In particular, House and Senate lawmakers must balance the need to provide several years of operating budget certainty to the MBTA with providing regional parity in the distribution of surtax revenues.

Policy

There are 200 distinct policy sections in the House and Senate final budgets, notably less than the number of sections under consideration by the Conference Committee last year. Approximately one-third of the sections (68) are in common between the two bills, while the Senate includes nearly 40 more unique sections than the House.

Shared & Unique Outside Policy Sections

Total Policy Sections		200
Shared	House Unique	Senate Unique
68	48	84

A number of the policy proposals that are shared between the two branches were originally included by Governor Healey and effectuate the revenue-generating initiatives identified above. These include sections that allow for the diversion of certain gaming tax revenues to the General Fund, alter the distribution of above-threshold capital gains revenues, and recoup COVID-era appropriations that have not yet been spent. While revenue assumptions associated with some of these initiatives may differ between the two budgets, the outside section language is nearly identical.

The House budget includes a total of 116 outside policy sections, 48 of which do not appear in the Senate budget. Notable unique policy proposals in the House budget include sections related to early education providers, vocational school admissions policies, and a special legislative commission on Pappas Rehabilitation Hospital.

Unique House Policy Sections

House Section	Title	In Governor's Budget?	Description
11	Early Education Provider For-Profit Cap	No	Increases the cap of C3 funds that for-profit operators with more than 10 centers can receive from 1 percent of the total appropriation to 1.25 percent
17, 18, 20, 21	MBTA Advisory Board	Yes	Permits employees of the MBTA Advisory Board to be eligible for state pension and health insurance benefits.
61, 62, 63	Connector Pilot Program	Yes	Extends the existing ConnectorCare pilot program, which provides coverage to those with incomes up to 500 percent of the FPL, to the end of 2026. Currently, the pilot is due to sunset after two years, at the end of 2025. The cost of the extension is expected to be borne by resources within the Commonwealth Care Trust Fund.
64A	Early Education Provider Revenue Retention	No	Maintains a unit-rate reimbursement system for contracted early education providers, rather than the cost-based reimbursement system that EEC implemented after the contract procurement last October. A unit-rate reimbursement system may limit the information that the department is able to collect related to program administrative expenses.
65, 68	Vocational Admissions	No	Creates a task force to make recommendations on vocational school admissions policies and prohibits DESE from making changes to vocational admissions policies until the recommendations are released (and prior to the 2026-2027 school year).
67B	Legislative Commission on Pappas Hospital	No	Establishes a special legislative commission on the future of Pappas Rehabilitation Hospital for Children. The commission would be comprised of 13 members and is directed to conduct a review of the hospital's finances, programs, pediatric services, and infrastructure.
74	Disaster Relief	No	Transfers \$14 million from any FY 2026 end of year surplus to the Disaster Relief and Resiliency Fund.

The Senate budget includes 152 outside policy sections, and 84 of them are not included in the House budget. Two policy proposals adopted by the Senate during debate related to controlling prescription drug costs and the municipal control of liquor licenses added over 20 unique sections to the Senate budget.

Unique Senate Policy Sections

Senate Sections	Title	In Governor's Budget?	Description
9, 10, 11, 12, 13, 14, 20, 49, 141, 142, 143, 153	Lowering Prescription Drug Costs	No	Aims to lower the costs of prescription drugs by address four major components: 1) the process by which pharmaceutical manufacturers provide early notice to the Health Policy Commission regarding drug price increases or a new drug coming to market; 2) the ability of the HPC to monitor the impacts of eligible drug costs on patient access and establish upper payment limits for drugs which, due to their cost, may create access and affordability challenges for patients in MA; 3) the establishment of a Prescription Drug Cost Assistance Trust Fund; and 4) the establishment of a Prescription Drug Cost Assistance Program, to provide financial assistance for prescription drugs used to treat chronic conditions.
22	Housing Production Dashboard	No	Directs the Executive Office of Housing and Livable Communities (EOHLC) to publish an online dashboard detailing the funding sources used by the office to support housing production and preservation in the Commonwealth.
23	Race Horse Development Fund	No	Adjusts the distribution of the daily assessment of gross gaming revenues to direct 4.5 percent towards the General Fund and 4.5 percent towards the Race Horse Development Fund. Currently, the entire 9 percent assessment is directed to the Race Horse Development Fund.
29	Transportation Capital Spending Dashboard	No	Requires DOT to create a dashboard to monitor the transportation capital projects supported by the state's increased borrowing capacity resulting from the dedication of surtax revenues into the CTF. Language prohibits SO bonds backed by the CTF from supporting a capital project with a total cost greater than \$1 billion, unless that project has been authorized by the Legislature.
57, 58	Benefits Owed to Foster Children	No	Clarifies the role of the Department of Children and Families (DCF) is receiving, managing, and administering the federal financial benefits for which a child is eligible, such as social security income.
59 - 67, 148	Local Liquor Licenses	No	Prevents the transfer of liquor licenses between establishments and allows a city or town to determine the number of liquor licenses that may be issued by its licensing authority under certain conditions.
70	Fare-Free RTAs	No	Eliminates passenger fares for all fixed route and paratransit services. The program is subject to appropriation.

Conclusion

At a high-level, the House and Senate budgets share many similarities that would ordinarily suggest swift conference resolution: both bills exclude the tax policy proposals put forward by the administration, spend less than the Governor by at least \$500 million, and reflect a limited number of substantive policy proposals.

However, despite these shared elements, budget conferees are still tasked with reconciling nearly \$1 billion in unique spending priorities, a resource gap that could exceed \$750 million, and notable policy differences related to pharmaceutical cost controls and admissions policies at vocational technical high schools.

In addition, conference negotiations are taking place at time of increasing economic uncertainty and the negative impacts of federal action on Massachusetts are becoming more clear. While MTF maintains that making an adjustment to FY 2026 revenue estimates earlier in the Spring would have been premature, with more information now available it is imperative that the FY 2026 budget account for the changed fiscal environment.

As MTF will detail in its next conference preview, the Healey administration, House, and Senate should pursue a coordinated approach to reassessing revenue expectations and reduce spending assumptions for FY 2026. A shared commitment to building a more sustainable budget will improve the state's ability to react to new information, pursue a thoughtful federal response strategy, and prepare for future uncertainties.