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MTF Report

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Senate Ways & Means Fiscal Year 2027 Budget

Today, the Senate Ways and Means (SWM) committee released its Fiscal Year (FY) 2027 budget proposal, a \$63.29 billion spending plan. Their budget represents an increase of \$2.25 billion (3.7 percent) over the FY 2026 General Appropriations Act (GAA) and is \$66.3 million (0.1 percent) less than Governor Healey's proposal. Compared to the House, which finalized its budget less than a week ago, the Senate spends \$120 million less; however, the SWM proposal is only \$37 million less than the HWM budget released from committee.

Compared to the House budget, the SWM proposal increases spending for local aid and support services; predominantly driven by a higher funding level for Unrestricted General Government Aid to cities and towns, as well as restored funding for caseworkers at the Department of Transitional Assistance. The Senate's plan includes less funding for programs related to housing, energy, and the environment than the House.

The SWM budget includes a relatively small number of policy sections – 58 – with only 15 unique sections not also included by the administration or the House. Notable SWM policy proposals include the establishment of a new Foundation Budget Review Commission to assess the state's school finance funding formula and make recommendations for improvement.

Prior to the release of their FY 2027 operating budget proposal, the Senate finalized its version of the Innovation and Capital Fund supplemental budget. This spending bill included \$1.28 billion¹ in surtax-supported investments for education and transportation, many of which are intended to complement their operating budget recommendations. As in MTF's analysis of the HWM budget, in the sections that follow, supplemental spending is presented alongside operating budget spending to provide a wholistic picture of the resources proposed for FY 2027.

SWM Budget Overview

The SWM budget includes \$63.29 billion in total spending, a \$2.25 billion (3.7 percent) increase over the FY 2026 GAA and \$66 million (0.1 percent) less than the Governor. Spending in the Senate committee's proposal is also \$120 million less than the final House budget.

¹ The Senate's version of the Innovation and Capital Fund supplemental budget includes \$1.87 billion in total spending; \$1.28 billion of which is supported by surplus surtax revenues held in the Innovation and Capital Fund, \$100 million supported by surtax revenues in the Education and Transportation Fund, and \$491 million in spending supported by the General Fund. This report focused primarily on the Innovation and Capital Fund spending.

After accounting for \$7.9 billion in statutorily required transfers and other off-budget spending, the SWM budget includes \$71.18 billion in total spending commitments.

FY 2027 SWM Budget Spending Overview

| | FY 2026 GAA | Governor's Budget | House Budget | SWM Budget | \$ v. FY 2026 GAA | % v. FY 2026 GAA |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Line-Item Spending | \$58,098.4 | \$60,113.7 | \$60,167.5 | \$60,047.4 | \$1,949.0 | 3.4% |
| Surtax Spending | \$2,400.0 | \$2,700.0 | \$2,700.0 | \$2,700.0 | \$300.0 | 12.5% |
| Medical Asst. Trust Fund | \$547.6 | \$548.0 | \$548.0 | \$548.0 | \$0.5 | 0.1% |
| Total Line-Item Spending | \$61,046.0 | \$63,361.7 | \$63,415.5 | \$63,295.4 | \$2,249.4 | 3.7% |
| Pre-Budget Transfers | \$7,651.0 | \$7,887.0 | \$7,887.0 | \$7,887.0 | \$236.0 | 3.1% |
| Other Off-Budget | \$100.0 | \$0.0 | \$0.0 | \$0.0 | -\$100.0 | -100.0% |
| Total Spend | \$68,797.0 | \$71,248.7 | \$71,302.5 | \$71,182.4 | \$2,385.4 | 3.5% |

\$ in millions

The SWM budget is supported by \$71.37 billion in total revenues, primarily comprised of the non-surtax consensus revenue figure of \$42.2 billion agreed to by the Healey administration, House, and Senate budget leaders in January. It also relies on \$2.7 billion in revenue generated by the income surtax, consistent with the total surtax revenue projection for the next fiscal year.

The Senate’s proposal relies on \$15.79 billion in federal revenue and reimbursements, as well as \$9.65 billion in departmental, lottery, and other revenues. There are approximately \$2.7 billion in revenue-generating initiatives included in the SWM budget, \$1.5 billion of which MTF categorizes as one-time solutions.

FY 2027 SWM Budget Revenue Overview

| | FY 2026 GAA | Governor's Budget | House Budget | SWM Budget | \$ v. FY 2026 GAA | % v. FY 2026 GAA |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Total Tax Revenue | \$43,563.8 | \$45,092.5 | \$45,092.5 | \$45,075.0 | \$1,511.2 | 3.5% |
| <i>Consensus Tax Agreement</i> | \$41,214.0 | \$42,200.0 | \$42,200.0 | \$42,200.0 | \$986.0 | 2.4% |
| <i>Cap Gains Diversion</i> | -\$100.0 | -\$256.0 | -\$256.0 | -\$256.0 | -\$156.0 | -- |
| <i>Tax Settlements</i> | \$50.0 | \$50.0 | \$50.0 | \$50.0 | \$0.0 | -- |
| <i>Fed. Conformity Phase-In</i> | \$0.0 | \$108.0 | \$108.0 | \$108.0 | \$108.0 | -- |
| <i>PTE Expansion</i> | \$0.0 | \$296.0 | \$296.0 | \$296.0 | \$296.0 | -- |
| <i>Tax Initiatives</i> | \$0.0 | -\$5.5 | -\$5.5 | -\$23.0 | -\$23.0 | -- |
| <i>4% Income Surtax</i> | \$2,399.8 | \$2,700.0 | \$2,700.0 | \$2,700.0 | \$300.2 | 12.5% |
| Federal Revenue | \$15,609.6 | \$15,828.8 | \$15,859.0 | \$15,794.6 | \$185.0 | 1.2% |
| Dept. Revenue | \$10,101.1 | \$9,566.9 | \$9,582.5 | \$9,649.4 | -\$451.7 | -4.5% |
| Trust Funds Used | \$315.0 | \$827.0 | \$851.8 | \$851.8 | \$536.8 | 170.4% |
| Total Revenue | \$69,589.5 | \$71,315.3 | \$71,385.8 | \$71,370.8 | \$1,781.3 | 2.6% |

\$ in millions

FY 2027 Senate Ways & Means Budget: 5 Things to Know

- 1. Spending in the SWM Budget is \$63.29 billion, \$66 million less than the proposal put forward by Governor Healey, \$120 million less than the House budget, and representing 3.7 percent growth over the FY 2026 GAA.** For the third year in a row, the Senate Ways and Means committee has released a budget that spends less than the original proposal filed by the Governor. Compared to the House budget, spending in the SWM budget is \$120 million less, though that gap will shrink significantly after the Senate debate process.
- 2. To close an estimated \$3.5 billion budget gap and support spending, the Senate relies on \$2.7 billion in revenue solutions.** Like the House, the Senate essentially adopts the same framework of revenue and spending solutions put forward by the Governor to close a sizeable budget gap projected for FY 2027. The Senate includes several unique proposals related to the use of surplus surtax revenues and the distribution of above-threshold capital gains revenues.
- 3. Surtax spending in the SWM budget totals \$2.7 billion and is divided between education (\$1.73 billion, 64 percent) and transportation (\$975 million, 36 percent).** For the first time since the surtax has been incorporated into the operating budget, the Governor, House, and Senate have put forward budget proposals that include the same distribution of surtax revenues between the education and transportation sectors. However, despite this high-level agreement, there are unique program investments in each proposal.
- 4. The Senate budget includes additional funding for local aid, recommending a new distribution of resources to cities and towns.** The SWM budget increases funding for Unrestricted General Government Aid (UGGA) by \$53 million over the FY 2026 GAA, directing these funds to be distributed to municipalities based on their proportional share of the state's total population. The SWM budget mostly adopts the recommendations of the Governor or House in the largest areas of the budget, permitting the Governor's proposals to control MassHealth costs and fully funding the final year of Student Opportunity Act implementation.
- 5. The Senate budget is light on policy, with only 58 outside sections.** The Senate includes fewer policy sections than either the administration or the House and notably fewer than the SWM proposal from FY 2026. However, the Senate does include sections to study school finance in the state, reduce local zoning restrictions, and change how surtax spending is presented in the budget.

State Fiscal Overview

In the analysis that follows, MTF provides detailed descriptions of the revenue, spending, and policy proposals included in the SWM budget. To provide context for these proposals, the report begins with a brief overview of the state's current fiscal position.

FY 2027 Budget Gap

As MTF has highlighted throughout the budget development process, administration and legislative budget writers all face the same fundamental challenge in FY 2027: closing a sizeable budget gap stemming from stagnating revenue collections, increasing spending pressures, and a recent growing reliance on one-time solutions to balance the budget. Closing this gap is required to produce a balanced budget and limits policymakers in making large, new discretionary investments.

Earlier this year, [MTF estimated the FY 2027 budget gap to exceed \\$3.5 billion](#). The Governor put forward a framework of revenue and spending-side solutions to close the entirety of that gap, largely relying on one-time resources and constraining MassHealth spending growth. The [House budget](#) adopted the majority of the administration's recommendations, but made targeted adjustments to several revenue proposals.

The Senate's plan also closely adheres to the administration's framework of solutions, adopting the largest revenue-side solutions and permitting the administration to pursue efforts to constrain MassHealth cost growth in FY 2027.

FY 2027 SWM Budget - Revenues

The SWM budget relies on \$71.37 billion in total state revenue to support spending in FY 2027. To assess the resources used by the Senate, this report organizes them into four categories: (1) baseline tax revenues, (2) income surtax revenues, (3) revenue initiatives, and (4) non-tax revenues.

Baseline Tax Revenues

The revenue foundation for the SWM budget is the \$42.2 billion non-surtax consensus tax revenue estimate agreed to by the Healey administration, House, and Senate. In FY 2027, non-surtax revenues are expected to grow by \$986 million (2.4 percent) over projected FY 2026 collections of \$41.2 billion. For additional information regarding the FY 2027 consensus tax revenue estimate, read MTF's [analysis](#).

Pre-Budget Transfers

From the consensus revenue estimate, policymakers must deduct four "pre-budget" transfers to the Workforce Training Trust Fund, the Pension Fund, the MBTA, and the School Building Authority (SBA) to determine the base tax revenues available to support budgeted spending.

The pre-budget transfers in the SWM budget total \$7.9 billion, a \$237 million increase over the transfers required in FY 2026 and level with the Governor and House budgets. As described in [MTF's analysis of the consensus revenue agreement](#), the year-over-year increase in pre-budget transfers is primarily driven by an increase in the state's Pension Fund obligation.

FY 2027 Pre-Budget Transfers

| | FY 2026 Est. Transfer | FY 2027 Guaranteed | FY 2027 CR Agreement | Increase over FY 2026 |
|-----------------------------------|------------------------------|---------------------------|-----------------------------|------------------------------|
| Workforce Trust Fund | \$27 | \$0 | \$27 | \$0 |
| School Building Authority | \$1,265 | \$0 | \$1,284 | \$19 |
| MBTA | \$1,425 | \$160 | \$1,445 | \$20 |
| Pension Fund | \$4,933 | \$0 | \$5,131 | \$198 |
| Total pre-budget transfers | | | \$7,887 | \$237 |

\$ in millions

In FY 2027, the Pension Fund transfer increases by four percent over the prior year and reflects the new triennial schedule established by the Healey administration in January. This new schedule provides the state budget with \$277 million in tax revenue to support spending in FY 2027 that would have been unavailable under the previous pension schedule, which called for 9.6 percent annual increases to the Pension Fund transfer. In order to limit the pension transfer increase, the agreement also extends the timeline for fully funding the state pension by two years.

Capital Gains Revenues

In addition to the pre-budget transfers, budget writers must deduct from the non-surtax consensus revenue estimate the amount of capital gains revenues expected to be collected above a specific threshold. This limit on capital gains revenues is intended to insulate the operating budget from economic volatility and 90 percent of the above-threshold amount is typically deposited into the Stabilization Fund.

In FY 2027, total capital gains collections are anticipated to be \$2.5 billion. Under the current statute, the FY 2027 capital gains threshold is \$1.78 billion, resulting in an estimated Stabilization Fund deposit of \$651 million.

The Governor’s budget included several changes to how capital gains revenues are utilized for the operating budget in FY 2027 and in future fiscal years. The administration:

- Increases the capital gains threshold for FY 2027 to \$2.25 billion, an increase of \$467 million over the standard threshold;
- Amends the distribution of above-threshold capital gains, directing a greater share towards State Retiree Benefits and the Disaster Relief and Resiliency Fund; and
- Establishes \$2.25 billion as the new base threshold for future fiscal years and states that going forward, the threshold will be set equal to 95 percent of average capital gains collections over the last ten completed fiscal years, adjusted for inflation.

While the House essentially adopted these proposals, with targeted changes to the distribution of above-threshold capital gains collections, SWM made no permanent changes to the capital gains threshold, only adjusting the figure to \$2.25 billion in FY 2027.

The table below compares the capital gains revenue proposals across the three budgets.

Comparison of Capital Gains Revenue Proposals

| Proposal | Governor’s Budget | House Budget | SWM Budget |
|-----------------------------|--|---|---|
| FY 2027 Threshold | \$2.25 billion | \$2.25 billion | \$2.25 billion |
| FY 2027 Distribution | <ul style="list-style-type: none"> • 53% to State Retiree Benefits (\$136 million) • 39% to Stabilization Fund (\$100 million) • 7.8% to Disaster Relief & Resiliency Fund (\$20 million) | <ul style="list-style-type: none"> • 65% to State Retiree Benefits (\$166 million) • 20% to Stabilization Fund (\$51 million) • 15% to Pension Fund (\$38 million) | <ul style="list-style-type: none"> • 58.6% to State Retiree Benefits (\$150 million) • 20% to Stabilization Fund (\$51 million) • 13.6% to Pension Fund (\$35 million) • 7.8% to Disaster Relief & Resiliency Fund (\$20 million) |
| Ongoing Threshold | <ul style="list-style-type: none"> • Base: \$2.25 billion • Adjustment: 95% of avg. capital gains collections over 10 fiscal years. | <ul style="list-style-type: none"> • Base: \$1 billion • Adjustment: 95% of avg. capital gains collections over 10 fiscal years. | <ul style="list-style-type: none"> • Prior year threshold adjusted for 5-year annual rate of GDP growth. |

Stabilization Fund Deposit

Based on the proposed transfer of above-threshold capital gains outlined above, under the SWM budget, the balance of the Stabilization Fund is projected to reach \$8.19 billion by the end of FY 2027. This is a slightly lower balance than projected by the administration, due to the lesser deposit of capital gains revenues.

Stabilization Fund Estimate in the SWM Budget

| | Governor | House Budget | SWM Budget |
|--------------------------------------|------------------|------------------|------------------|
| FY 2026 Beginning Balance | \$8,110.7 | \$8,110.7 | \$8,110.7 |
| <i>Planned Deposits & Uses</i> | \$33.3 | \$33.3 | \$33.3 |
| FY 2026 Ending Balance | \$8,144.0 | \$8,144.0 | \$8,144.0 |
| <i>FY 2027 Capital Gains Deposit</i> | \$100.0 | \$51.0 | \$51.0 |
| FY 2027 Ending Balance | \$8,244.0 | \$8,195.0 | \$8,195.0 |

\$ in millions

Baseline Tax Revenues Available for Budgeted Spending

After taking into account pre-budget transfers and the proposed transfer of capital gains revenue to the Stabilization Fund and other obligations, the Senate has access to \$34.06 billion in baseline tax revenues to support spending; level with the Governor and House.

Income Surtax Revenue

Surtax Revenue in the Operating Budget

The SWM budget relies on \$2.7 billion of income surtax revenue to support education and transportation investments in the operating budget. This is equal to the surtax revenue projection agreed to by the administration,

House, and Senate during the consensus revenue process and represents a \$300 million increase over the \$2.4 billion surtax spending cap in the FY 2026 GAA.

MTF wrote earlier about [surtax spending in FY 2027](#), and the two-year trend of policymakers establishing the surtax spending cap for the operating budget at a level equal to the total surtax revenue projection. The continuation of this practice will ultimately result in fewer resources available for the Innovation and Capital Fund, which has supported billions in supplemental funding for education and transportation priorities.

The following sections provide additional detail on the surtax investments in the SWM budget. At a high level, the Senate directs \$1.725 billion (64 percent) of surtax revenues towards education and \$975 million (36 percent) towards transportation. For the first time since surtax-supported spending was introduced to the operating budget, the administration, House, and Senate have all put forward spending plans that reflect the same division of surtax resources between the education and transportation sectors.

Surtax Spending in the SWM Budget by Category

| | FY 2027 Governor | FY 2027 House | FY 2027 Senate | SWM v. FY 2026 | % of Total (SWM) |
|----------------------------|-----------------------------|--------------------------|---------------------------|---------------------------|-----------------------------|
| Education | \$1,725 | \$1,725 | \$1,725 | \$37 | 63.9% |
| <i>Early Education</i> | \$636 | \$599 | \$648 | -\$13 | 24.0% |
| <i>K-12 Education</i> | \$853 | \$868 | \$831 | \$71 | 30.8% |
| <i>Higher Education</i> | \$236 | \$258 | \$246 | -\$21 | 9.1% |
| Transportation | \$975 | \$975 | \$975 | \$263 | 36.1% |
| <i>MBTA</i> | \$470 | \$470 | \$470 | \$470 | 17.4% |
| <i>MassDOT</i> | \$220 | \$220 | \$220 | \$220 | 8.2% |
| <i>RTAs</i> | \$185 | \$185 | \$185 | \$23 | 6.8% |
| <i>Other/Local Transpo</i> | \$100 | \$100 | \$100 | \$100 | 3.7% |
| <i>Undesignated CTF</i> | \$0 | \$0 | \$0 | -\$550 | 0.0% |
| Total Investments | \$2,700 | \$2,700 | \$2,700 | \$300 | |

\$ in millions

Uniquely, the Senate plan includes a new structure for Section 2F of the budget, which for the past several years has been the section in which all surtax operating budget spending is contained. In the SWM budget, Section 2F now includes an organized table, denoting each line-item that is supported by surtax revenues. Those line-items are now included under their administering agencies. This new organization improves the transparency of surtax spending and improves the process for tracking the use of these revenues over time.

Supplemental Surtax Revenue

On April 9th, the Senate finalized its version of the 2026 Innovation and Capital Fund supplemental budget, spending \$1.28 billion in surplus surtax revenue collected in FY 2025. The Senate bill also included \$100 million in spending supported by FY 2026 surtax revenues, as well as \$491 million for other mid-year deficiencies.

Like the Governor and the House, the Senate permits funding in the supplemental budget to be expended over multiple fiscal years. However, many of the investments are specifically intended to complement the FY 2027

operating budget. As such, in this report, the Senate’s supplemental spending proposals are presented alongside the SWM budget in the relevant spending sections below.

Across their operating budget proposal and Innovation and Capital Fund budget, the Senate spends \$3.98 billion in surtax revenue; education receives \$2.24 billion (56 percent) and transportation receives \$1.74 billion (44 percent).

Total Surtax Spending Proposed by the Senate in FY 2027

| | FY 2027 - SWM | Innovation & Capital Fund (2026) | Total Proposed Surtax | % of Total |
|----------------------------|----------------------|---|------------------------------|-------------------|
| Education | \$1,725 | \$519 | \$2,244 | 56% |
| <i>Early Education</i> | \$648 | \$150 | \$798 | 20% |
| <i>K-12 Education</i> | \$831 | \$340 | \$1,172 | 29% |
| <i>Higher Education</i> | \$246 | \$28 | \$274 | 7% |
| Transportation | \$975 | \$763 | \$1,738 | 44% |
| <i>MBTA</i> | \$470 | \$535 | \$1,005 | 25% |
| <i>MassDOT</i> | \$220 | \$108 | \$328 | 8% |
| <i>RTAs</i> | \$185 | \$95 | \$280 | 7% |
| <i>Local/Pilot Program</i> | \$100 | \$25 | \$125 | 3% |
| <i>Undesignated CTF</i> | \$0 | \$0 | \$0 | 0% |
| Other Initiatives | \$0 | \$0 | \$0 | |
| Total Investments | \$2,700 | \$1,282 | \$3,982 | |

\$ in millions

Revenue Initiatives

To close the projected budget gap for FY 2027 and support spending needs, Governor Healey proposed a range of one-time and ongoing revenue solutions that totaled approximately \$2.6 billion. The SWM budget, like the House budget largely adopts the Governor’s proposals.

Several notable differences in the SWM budget include:

- **Capital Gains Threshold Adjustment** (\$467 million) – The Healey administration proposed increasing the capital gains threshold to \$2.25 billion in FY 2027 and establishing that as the new baseline going forward. Like the House, the Senate also increases the threshold to \$2.25 billion in FY 2027, but they do not change the threshold on a permanent basis.
- **Surplus Surtax Revenue** (\$200 million) – The administration, House, and Senate all utilize surplus surtax revenue collected in FY 2025 to support the costs of the Special Education Circuit Breaker program in FY 2027. The Senate relies on a greater amount of these resources than either the Governor or House, \$200 million versus \$150 million.

Like the House, the SWM budget maintains the administration’s revenue assumptions tied to tax conformity changes and the expansion of the Pass-Through Entity (PTE) excise tax included in the Innovation and Capital Fund supplemental budget. They also adopt the administration’s initiative to identify \$100 million in programmatic and operational savings and rely on \$852 million in education-related trust fund resources.

FY 2027 Proposed Revenue Initiatives: Governor, House, and Senate

| Proposal | Gov's Revenue Assumption | House Revenue Assumption | SWM Revenue Assumption |
|---|---------------------------------|---------------------------------|-------------------------------|
| Pension Fund Schedule Adjustment | \$277.0 | \$277.0 | \$277.0 |
| Capital Gains Threshold Adjustment | \$467.0 | \$467.0 | \$467.0 |
| Capital Gains OPEB Dedication | \$100.0 | \$100.0 | \$100.0 |
| OB3 Delayed Conformity | \$108.0 | \$108.0 | \$108.0 |
| Expanded Pass-Through Entity Excise | \$296.0 | \$296.0 | \$296.0 |
| Education-Related Trust Funds | \$826.8 | \$851.8 | \$851.8 |
| Surplus Surtax Revenue | \$150.0 | \$152.0 | \$200.0 |
| Efficiencies & Effectiveness Initiative | \$100.0 | \$100.0 | \$100.0 |
| Other Departmental & Trust Initiatives | \$250.0 | \$250.0 | \$325.0 |
| Total Revenue Solutions | \$2,574.8 | \$2,601.8 | \$2,724.8 |

\$ in millions

Non-Tax Revenues

Lastly, spending in the SWM budget is supported by \$25.44 billion in revenues related to non-tax sources, including hundreds of individual revenues related to federal grants, federal reimbursements, and departmental operations.

Federal and Departmental Revenues

The most notable non-tax revenue sources used in the SWM budget include:

- **State Medicaid Reimbursements** (\$14.08 billion) – Massachusetts receives significant federal reimbursement for spending on the state’s Medicaid program, known as MassHealth. The SWM budget assumes total federal reimbursement for Medicaid spending to reach \$14.08 billion in FY 2027, \$62.8 million less than the revenue assumption for MassHealth included by the House. Differences in federal reimbursement assumptions are almost always driven by unique spending decisions. For example, the Senate proposes spending approximately \$40 million less than the House on MassHealth programs.
- **Gaming** (\$390.6 million) – The SWM budget adopts the administration’s proposal to divert approximately \$112 million in gaming revenues from off-budget funds onto the operating budget. The House included a similar proposal, but retained slightly more revenue in off-budget trusts. SWM also permanently redirects about \$9 million in revenue currently dedicated to the Race Horse Development Fund to the General Fund.
- **Lottery** (\$1.32 billion) – Net profits from the Lottery are assumed to be \$1.32 billion in the SWM budget, a \$78 million increase compared to the FY 2026 GAA, \$25 million greater than the Governor’s budget, and level with the House. This total includes \$100 million related to online lottery revenues, which are dedicated to the Early Education and Care Operational Grant Fund. The Healey administration assumed that online lottery revenues would reach \$75 million in FY 2027.

Trust Fund Resources

To support spending, the SWM budget relies on \$851.8 million in trust fund resources, predominantly related to K-12 and early education. Like the Governor and House, the Senate proposes to deplete the resources in each fund to support C3 Child Care Operational Grants, Child Care Financial Assistance, and Chapter 70 State Aid costs in FY 2027.

Education-Related Trust Funds in the SWM Budget

| | EEC Operational Grant Fund | High-Quality EEC Affordability Fund | Student Opportunity Act Investment Fund |
|-----------------------------|--------------------------------|-------------------------------------|---|
| FY 2027 Projected Balance | \$100.0 | \$183.7 | \$568.1 |
| FY 2027 Proposed Spending | -\$100.0 | -\$183.7 | -\$568.1 |
| Remaining Balance | \$0.0 | \$0.0 | \$0.0 |
| Recommended Programs | C3 Stabilization Grants | CCFA | Chapter 70 Aid |

\$ in millions

One-Time v. Ongoing Revenue Sources

In its fiscal analysis, MTF historically tracks the use of one-time solutions used to balance the state budget. One-time solutions are, by nature, only available in one fiscal year, so they are a useful metric for assessing the structural stability of the state budget. If the total amount of one-time revenues used to support ongoing spending costs is increasing year over year, the larger the potential budget gap in future fiscal years.

In FY 2026, MTF identified approximately \$1.5 billion in one-time revenue solutions. In the SWM budget for FY 2027, the number of one-timers remains stable at \$1.5 billion. That number increases to \$1.9 billion when the capital gains threshold adjustment is included; a revenue solution that has typically been considered one-time.

One-Time Solutions in the SWM Budget

| Proposal | Gov's Revenue Assumption | House Revenue Assumption | SWM Revenue Assumption |
|---|--------------------------|--------------------------|------------------------|
| OB3 Delayed Conformity | \$108.0 | \$108.0 | \$108.0 |
| Education-Related Trust Funds | \$751.8 | \$751.8 | \$751.8 |
| Surplus Surtax Revenue | \$150.0 | \$152.0 | \$200.0 |
| Efficiencies & Effectiveness Initiative | \$100.0 | \$100.0 | \$100.0 |
| Other Departmental & Trust Initiatives | \$250.0 | \$250.0 | \$325.0 |
| Total | \$1,359.8 | \$1,361.8 | \$1,484.8 |
| Capital Gains Threshold Adjustment* | \$467.0 | \$467.0 | \$467.0 |

\$ in millions

SWM Budget – Key Revenue Takeaways

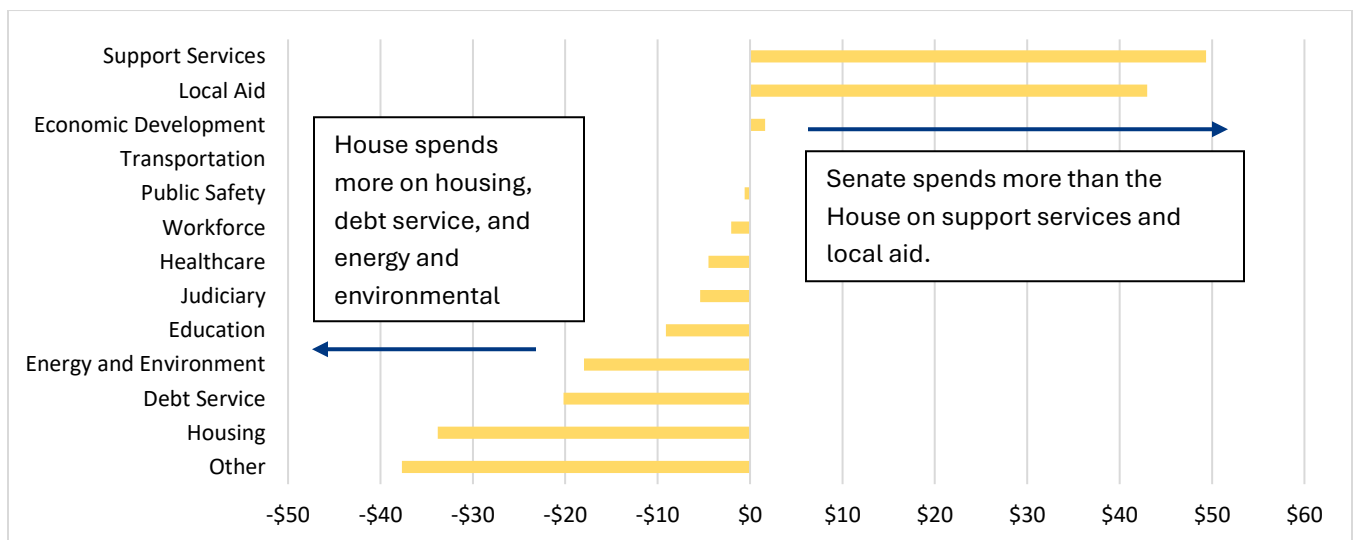
- **Revenue Solutions** – The SWM budget essentially reflects the Governor’s framework of revenue solutions to address a budget gap projected to exceed \$3.5 billion in FY 2027. Combined, revenue solutions in the Senate proposal total \$2.7 billion, of which approximately \$1.5 billion are considered one-time resources.
- **Capital Gains Revenues** – The SWM budget reflects the administration’s proposal to adjust the FY 2027 capital gains threshold but does not adjust the threshold for future years. The Senate’s plan includes a unique distribution of above-threshold capital gains collections, directing the majority of collections to the State Retiree Benefits Trust Fund.
- **Surplus Surtax Revenue** – The SWM budget differs from the Governor and House by its use of surplus surtax revenues to support operating costs in FY 2027. Specifically, the Senate proposes using \$200 million from the Innovation and Capital Fund to cover a portion of the Special Education Circuit Breaker in FY 2027. The Governor and House both proposed using \$150 million. Ultimately, this leads to a slightly higher estimate of one-time revenue solutions used in the SWM budget.

FY 2027 SWM Budget – Spending

The SWM budget includes \$63.29 billion in line-item spending, a \$2.25 billion (3.7 percent) increase over the FY 2026 GAA and \$66.3 million (0.1 percent) less than the budget filed by Governor Healey. The Senate’s spending plan is also \$37.3 million less than the HWM budget and \$120 million less than the House budget finalized last week.

To compare unique House and Senate investments, the chart below compares the SWM budget to the spending plan reported from the HWM committee. Because the Senate will add tens of millions of dollars in new spending throughout the debate process, this offers the most direct comparison of spending priorities.

SWM Budget Spending by Category v. HWM Budget (\$ in millions)



The SWM budget spends notably more in the areas of supports services and local aid, predominantly driven by Unrestricted General Government Aid (UGGA) for cities and towns and the restoration of funding for caseworkers at the Department of Transitional Assistance. These higher levels of support are offset by lower funding levels for housing, debt service, and energy and environmental programs.

MassHealth & Healthcare

MassHealth

The largest category of spending in the state’s operating budget is MassHealth, totaling \$22.39 billion (gross) in the SWM budget. After accounting for federal reimbursements and other revenues, the net cost of the program is estimated by MTF to be \$8.31 billion.

Like the House, the Senate adopts an administration proposal to consolidate human services transportation costs into a new line-item. When those costs related to MassHealth beneficiaries are included, total spending for MassHealth reaches \$22.74 billion in the SWM budget.

MassHealth Spending & Federal Reimbursements in the SWM Budget

| | FY 2026 GAA | FY 2027 - Governor | FY 2027 – House | FY 2027 – SWM |
|----------------------------------|-----------------|--------------------|-----------------|-----------------|
| Federal Reimbursement Share | \$13,772 | \$14,110 | \$14,240 | \$14,077 |
| % of Total Spending | 62.2% | 63.1% | 63.5% | 62.9% |
| State Share | \$8,356 | \$8,237 | \$8,183 | \$8,310 |
| Gross MassHealth Spending | \$22,128 | \$22,347 | \$22,423 | \$22,387 |
| HHS Transportation Spending | -- | \$354 | \$354 | \$354 |
| Total MassHealth Spending | | \$22,701 | \$22,777 | \$22,741 |

\$ in millions

As MTF described in its detailed analysis of [MassHealth spending in FY 2027](#), there are two major challenges facing the program next fiscal year. First, program costs grew by more than 10 percent in FY 2026 and a similar level of growth cannot be supported in FY 2027. Second, the federal One Big Beautiful Bill Act (OB3) included Medicaid policy changes that will impose significant MassHealth program changes beginning in FY 2027.

To manage MassHealth spending, the Healey administration used a combination of administrative, programmatic, and one-time solutions to keep gross state spending growth below three percent. The House largely adopted the administration’s proposed solutions with targeted adjustments to adult dental benefits, Personal Care Attendant working group recommendations, and nursing home rates.

The Senate budget, similarly, adopts most of the administration’s recommendations for MassHealth:

- Establishes a cap on adult dental benefits of \$1,750 annually; higher than the Governor’s proposed cap of \$1,000. The House also proposed capping benefits at \$1,750 annually, a level that is consistent with the average Group Insurance Commission benefit.
- Does not prohibit MassHealth from eliminating weight-loss coverage for GLP-1s.

- Supports the continuation of the Personal Care Attendant (PCA) working group and the creation of the Adult Day Health and Adult Foster Care working group to identify savings targets consistent with available funding for the program.
- Permits administrative initiatives related to one-time revenues, program integrity efforts, and the implementation of new federal eligibility requirements.

For the most part, the proposals put forward to control MassHealth cost growth in FY 2027 are short-term solutions. A long-term strategy to bend the healthcare cost curve remains necessary and the working group model could prove a promising approach for implementing meaningful reforms.

Additionally, through their Innovation and Capital Fund supplemental budget, the Senate has targeted primary care as an area of focus. Using \$10 million in surplus surtax revenues, the Senate bill creates a pilot program to provide financial assistance for students at the University of Massachusetts Medical School pursuing a specialty in family medicine. Recipients of the financial assistance must commit to practicing family medicine in Massachusetts for at least five years. The goal of the program is to expand access to primary care by building the pipeline of providers.

Group Insurance Commission

The SWM budget funds the Group Insurance Commission (GIC) at \$3.19 billion in FY 2027, a \$343 million increase over the FY 2026 GAA and a \$120K decrease compared to House 2. Earlier this year, the GIC eliminated coverage for GLP-1s for weight loss and rejected plans to increase member copays and deductibles. Like the House, the SWM budget does not appear to prevent the adopted coverage changes; however, the Governor’s funding level reflected savings associated with higher member copays and deductibles.

Other Healthcare Spending & Policy Proposals

The SWM budget includes 12 healthcare-related outside policy sections, 11 of which are also included in the administration or House budgets. The Senate’s unique health care policy section is the creation of a commission to examine the level of Turning 22 services in the Commonwealth for young adults transitioning out of an entitlement to public services. Like the administration, SWM includes a section to expand MassHealth’s drug rebate program; that section was not included by the House.

Municipal Finance

The SWM budget funds Unrestricted General Government Aid (UGGA) at \$1.376 billion, a \$53 million (4 percent) increase over FY 2026. This increase for local aid to cities and towns is \$20 million more than the Governor’s budget and \$43 million more than the House budget.

Notably, the Senate includes new line-item language stating that the \$53 million increase shall be distributed to municipalities based on each city or town’s proportional share of the statewide population. This is a departure from the historic formula for UGGA, which typically provides all municipalities with the same percent increase to their local aid amount. For example, if the total appropriation increases by three percent, each community sees a three percent increase in their UGGA allotment.

PILOT – Payment in Lieu of Taxes for State Owned Land – is funded in the SWM budget at \$55.4 million, an \$851K (1.6 percent increase) over the prior year and level with the Governor and House budgets.

UGGA and PILOT Funding in the SWM Budget

| Program | FY 2026 GAA | FY 2027 - Governor | FY 2027 – House | FY 2027 – SWM |
|----------------------------------|-------------|--------------------|-----------------|---------------|
| UGGA | \$1,323.1 | \$1,356.1 | \$1,333.1 | \$1,376.1 |
| <i>\$ Increase v. Prior Year</i> | \$14.4 | \$33.0 | \$10.0 | \$53.0 |
| <i>% Increase v. Prior Year</i> | 1.1% | 2.5% | 0.8% | 4.0% |
| PILOT | \$54.5 | \$55.4 | \$55.4 | \$55.4 |
| <i>\$ Increase v. Prior Year</i> | \$1.5 | \$0.9 | \$0.9 | \$0.9 |
| <i>% Increase v. Prior Year</i> | 2.9% | 1.6% | 1.6% | 1.6% |

\$ in millions

Education

Early Education

The Senate recommends \$1.87 billion in total funding for early education and care programs in FY 2027, an increase of \$164.9 million (9.7 percent) over the FY 2026 GAA. This funding level includes \$1.22 billion in non-surtax spending and \$647.6 million in surtax-supported investments.

Under the new structure for surtax-supported investments in the SWM budget, all surtax spending for early education appears within the primary appropriations for C3 Child Care Stabilization Grants, Child Care Financial Assistance (CCFA), and the Commonwealth Preschool Partnership Initiative (CPPI). In the table below, surtax spending is displayed separately, to provide a direct comparison to the Governor and House budgets.

In FY 2027, early education and care programs are supported by a combination of General Fund, income surtax, and trust fund resources. Like the Governor and House, through the Innovation and Capital Fund supplemental budget, the Senate transferred \$150 million of excess surtax revenue into the High-Quality Early Education and Care Affordability Fund. Those revenues are used to support the costs of Child Care Financial Assistance in FY 2027.

Early Education and Care Spending in the SWM Budget

| Program | FY 2026 GAA | FY 2027 - Governor | FY 2027 - House Budget | FY 2027 - SWM Budget |
|---|----------------|--------------------|------------------------|----------------------|
| Administration | \$57.0 | \$61.3 | \$68.4 | \$57.5 |
| <i>Dept. of Early Education and Care</i> | \$11.5 | \$13.2 | \$20.3 | \$9.4 |
| Child Care Operational Grants (C3) | \$115.0 | \$115.0 | \$110.0 | \$100.0 |
| Child Care Financial Assistance | \$773.8 | \$976.7 | \$988.1 | \$976.7 |
| <i>DCF and DTA Related Child Care</i> | \$356.6 | \$477.8 | \$479.2 | \$477.8 |
| <i>Income-Eligible Child Care</i> | \$417.2 | \$498.9 | \$508.9 | \$498.9 |
| Program Supports & Expansion | \$33.0 | \$32.9 | \$32.9 | \$25.0 |
| <i>Preschool Partnership Initiative</i> | \$5.0 | \$5.0 | \$5.0 | \$0.0 |
| <i>Early Childhood Mental Health</i> | \$5.0 | \$5.0 | \$5.0 | \$5.0 |
| <i>Grants to Head Start Programs</i> | \$20.0 | \$20.0 | \$20.0 | \$20.0 |
| <i>Provider Higher Education</i> | \$3.0 | \$3.0 | \$3.0 | \$0.0 |

(table continued below)

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Child Care Resource & Referral Orgs. | \$20.0 | \$20.0 | \$20.0 | \$20.0 |
| Other Early Education | \$41.9 | \$41.5 | \$41.5 | \$39.8 |
| Income Surtax Spending | \$661.3 | \$636.1 | \$599.1 | \$647.6 |
| <i>Child Care Operational Grants (C3)</i> | <i>\$360.0</i> | <i>\$360.0</i> | <i>\$365.0</i> | <i>\$375.0</i> |
| <i>DCF and DTA Related Child Care</i> | <i>\$91.6</i> | <i>\$119.4</i> | <i>\$119.4</i> | <i>\$119.4</i> |
| <i>Income-Eligible Child Care</i> | <i>\$100.4</i> | <i>\$124.7</i> | <i>\$114.7</i> | <i>\$124.7</i> |
| <i>Preschool Partnership Initiative</i> | <i>\$15.5</i> | <i>\$32.0</i> | <i>\$0.0</i> | <i>\$28.5</i> |
| Total EEC Spending | \$1,701.9 | \$1,883.5 | \$1,860.0 | \$1,866.6 |

\$ in millions

Notable investments in the SWM budget for early education and care include:

- **EEC Administration** (\$9.4 million) – The SWM budget funds administration for the Department of EEC at \$9.4 million, \$2.1 million less than the FY 2026 GAA. This funding level is also \$3.8 million less than the Governor’s proposal and \$10.9 million less than the House’s administrative appropriation for the department. The Senate excludes earmark funding for an early educator scholarship program which the House included in their budget proposal.
- **Child Care Operational (C3) Grants** (\$475 million) – The SWM budget funds C3 grants at a total of \$475 million, level with the Governor and House budget. The Senate relies on trust fund (\$100 million) and surtax revenues (\$375 million) to fund the program in FY 2027, with the \$100 million from the Operational Grant Fund expected to come from online lottery revenues. FY 2027 will be the fifth year that C3 is level-funded at \$475 million. The program has been closed to new child care programs since last July.
- **Child Care Financial Assistance** (\$1.22 billion) – The Senate level funds CCFA programs with the Governor’s budget, providing \$597.2 million for DCF and DTA Related Child Care and \$623.6 million for Income-Eligible Child Care. This funding total represents an increase of \$133.3 million compared to the resources available for CCFA in FY 2026, which includes investments from the 2025 Innovation and Capital Fund supplemental budget. As [MTF has written previously](#), this funding level is intended to maintain the current caseload and reimbursement rate structure. The Senate does not provide funding to reduce the income-eligible CCFA waitlist or increase provider reimbursement rates.
- **Commonwealth Preschool Partnership Initiative** (\$28.5 million) – The SWM budget provides \$28.5 million for the CPPI program in FY 2027, an increase of \$6 million over the FY 2026 GAA. This funding level is \$8.5 million less than the Governor’s budget, but \$23.6 million more than the House budget. The Senate proposes funding CPPI with surtax resources. While the Governor’s proposed funding level was intended to expand CPPI programs into the seven Gateway Cities not currently participating, it is unclear what level of expansion would be supported by the SWM budget.

Surtax Spending for Early Education

Between the FY 2027 SWM operating budget proposal and the Innovation and Capital Fund supplemental budget, the Senate includes \$797.6 million in surtax-supported investments for early education and care.

- **The SWM operating budget proposal includes \$647.6 million in surtax spending for early education and care initiatives.** As described above, all surtax spending for early education in the SWM appears within the

primary appropriations for C3 Child Care Stabilization Grants, Child Care Financial Assistance (CCFA), and the Commonwealth Preschool Partnership Initiative (CPPI).

- **The Senate’s Innovation and Capital Fund supplemental budget included \$150 million for early education and care**, the entirety of which is a transfer of surtax revenues collected in FY 2025 to the High Quality Early Education and Care Trust Fund. This transfer was also included by the Governor and House, and these resources are subsequently used to support spending in the Senate’s FY 2027 operating budget proposal.

Surtax Spending Proposals for Early Education

| FY 2027 Operating Budget | | | |
|--|-----------------|---------------------|-------------------|
| Program | Governor | House | SWM Budget |
| C3 Child Care Stabilization Grants | \$360.0 | \$365.0 | \$375.0 |
| Child Care Financial Assistance | \$244.0 | \$234.2 | \$244.1 |
| Commonwealth Preschool Partnership | \$32.0 | \$0.0 | \$28.5 |
| Total Surtax Spending | \$636.0 | \$599.2 | \$647.6 |
| Innovation & Capital Fund Supplemental Budget | | | |
| Program | Governor | House | Senate |
| High Quality EEC Trust Fund Transfer | \$150.0 | \$150.0 | \$150.0 |
| Early Education and Care Initiatives | \$0.0 | \$38.7 ² | \$0.0 |
| Total Supplemental Spending | \$150.0 | \$188.7 | \$150.0 |

\$ in millions

K-12 Education

Chapter 70 State Aid

The SWM budget fully funds the sixth and final year of Student Opportunity Act (SOA) implementation with a total funding level of \$7.66 billion. This is a \$296.5 million (4 percent) increase over the FY 2026 GAA and is \$54.8 million higher than the Governor’s budget. The Senate level funds Chapter 70 state aid with the House, providing \$160 per pupil for minimum aid.

The Senate relies on \$1.14 billion in trust fund and surtax revenues to support the costs of Chapter 70 aid in FY 2027, including \$568.1 million from the SOA Implementation Fund. The SOA Implementation Fund was created in FY 2022 and over the last four fiscal years has been capitalized with surplus budget resources and surtax revenues. The Governor, House, and Senate have each proposed using the remaining resources in the fund to support education costs in FY 2027, aligning the depletion of the fund with the completion of the SOA funding schedule.

² The House surtax supplemental budget included an additional \$38.7 million for early education initiatives, including funding to reduce the income-eligible waitlist and funding for early educator loan forgiveness and early educator personal child care.

Chapter 70 State Aid in the SWM Budget

| Program | FY 2025 GAA | FY 2026 GAA | FY 2027 - Governor | FY 2027 - House | FY 2027 - SWM |
|------------------------------------|------------------|------------------|--------------------|------------------|------------------|
| Chapter 70 State Aid | \$6,864.9 | \$6,864.9 | \$7,053.0 | \$7,055.6 | \$7,082.3* |
| SOA Support (surtax) | \$0.0 | \$496.9 | \$550.6 | \$550.6 | \$576.1* |
| Minimum Aid Supplement | \$37.0 | \$0.0 | \$0.0 | \$52.2 | \$0.0 |
| Total State Aid | \$6,901.9 | \$7,361.9 | \$7,603.6 | \$7,658.4 | \$7,658.4 |
| \$ Increase v. Prior Year | \$309.3 | \$459.9 | \$241.8 | \$296.5 | \$296.5 |
| % Increase v. Prior Year | 4.7% | 6.7% | 3.3% | 4.0% | 4.0% |
| SOA Implementation Schedule | Year 4 | Year 5 | Year 6 | Year 6 | Year 7 |

\$ in millions

As MTF wrote in its earlier [analysis of K-12 education spending](#) in FY 2027, for the last two years the administration and the legislature have proposed using an increasing amount of surtax revenues in support of Chapter 70 state aid costs, specifically those tied to the SOA. Given that the SOA clearly results in new and increased state spending for public school districts across the state related to a major overhaul of the school funding formula, MTF views the use of surtax revenues for these costs as consistent with the original intent of the surtax.

In the table above, surtax revenues used in support of Chapter 70 state aid costs are broken out to provide a direct comparison to the Governor and House budgets. In SWM budget documents, surtax funding is included within the primary appropriation for the Chapter 70 program.

Education Reimbursement Programs

Between the SWM budget and the Innovation and Capital Fund supplemental budget, the Senate includes a total of \$1.2 billion for major education reimbursement programs in FY 2027, including the Special Education Circuit Breaker, Charter Tuition Reimbursement, and Student Transportation Reimbursements. This total is \$189.4 million (18.7 percent) higher than FY 2026, \$46.4 million more than the Governor, and \$43.6 million more than the House.

K-12 Education Reimbursement Programs in the SWM Budget & Supplemental Surtax Budget

| Program | FY 2027 - Governor (+surtax) | FY 2027 - House (+surtax) | FY 2027 - SWM | Surplus Surtax - Senate | Total FY 2027 Funding |
|-------------------------------|------------------------------|---------------------------|------------------|-------------------------|-----------------------|
| SPED Circuit Breaker | \$802.7 | \$805.4 | \$652.7 | \$200.00 | \$852.7 |
| Charter Tuition Reimb. | \$200.4 | \$200.4 | \$200.4 | \$0.00 | \$200.4 |
| Regional School Transpo. | \$112.3 | \$119.2 | \$114.2 | \$0.00 | \$114.2 |
| Non-Resident Voc. Transpo. | \$6.8 | \$0.0 | \$1.4 | \$0.00 | \$1.4 |
| Homeless Student Transpo. | \$35.2 | \$35.2 | \$35.2 | \$0.00 | \$35.2 |
| Total Education Reimb. | \$1,157.4 | \$1,160.2 | \$1,003.8 | \$200.00 | \$1,203.8 |

\$ in millions

Notable details regarding funding for these programs include:

- **Special Education Circuit Breaker** (\$852.7 million) – The Senate funds the Special Education Circuit Breaker program at a total of \$852.7 million, using a combination of \$200 million in surplus surtax revenues and \$652.7 million in General Fund resources. This funding level is intended to fully fund the state’s reimbursement requirements for instructional and transportation costs.
- **Charter Tuition Reimbursement** (\$200.4 million) – The SWM budget includes \$200.4 million for Charter Tuition Reimbursement, level with the Governor and House budgets. The Senate also includes an increase to the per-pupil facilities aid component of the reimbursement formula to \$1,288. The Governor originally put forward this proposal, and it was also adopted by the House.
- **Student Transportation Reimbursement** (150.7 million) – Student Transportation Reimbursement programs are funded at a total of \$150.7 million in the SWM budget, including \$114.7 million for Regional School Transportation, \$35.2 million for Homeless Student Transportation, and \$1.4 million for Non-Resident Vocational School Transportation. The Regional School Transportation funding level is projected to provide 90 percent reimbursement to school districts.

Surtax Spending for K-12 Education

Between the FY 2027 SWM operating budget and the Innovation and Capital Fund supplemental budget, the Senate dedicates \$1.17 billion in surtax revenue towards K-12 education.

- **The SWM budget includes \$831.4 million in surtax spending for K-12 education.** The largest surtax investments included in the Senate’s spending plan are for SOA implementation (\$576.1 million) and Universal School Meals (\$180 million). The SWM budget also includes \$62 million for Student Transportation Reimbursement, which is distributed to Regional School Transportation and Non-Resident Vocational School Transportation, as shown in the table above. Lastly, the Senate provides \$6 million in support of Early College programs and \$3 million for Innovation Pathways.
- **The Senate’s version of the Innovation and Capital Fund supplemental budget includes \$340.4 million in spending for K-12 education.** Of this total, \$36 million in spending is intended to provide supplemental support for the Special Education Circuit Breaker program and Rural School Aid in FY 2026. Excluding those funds, the largest single appropriation in the Senate’s version of the bill is \$200 million to support Special Education Circuit Breaker costs in FY 2027. Both the Governor and House proposed using approximately \$150 million of surtax revenue to support circuit breaker costs. The Senate’s increased reliance on supplemental surtax revenue to support ongoing operating costs may cause challenges in future fiscal years, as the balance of the Innovation and Capital Fund decreases.

Surtax Spending Proposals for K-12 Education

| FY 2027 Operating Budget | | | |
|--|-----------------|--------------|-------------------|
| Program | Governor | House | SWM Budget |
| Student Opportunity Act Implementation | \$551.0 | \$551.0 | \$576.1 |
| Universal School Meals | \$198.0 | \$198.0 | \$180.0 |
| Student Transportation Reimbursements | \$62.0 | \$62.0 | \$62.0 |

(table continued below)

| | | | |
|--|-----------------|----------------|----------------|
| Early Literacy | \$25.0 | \$0.0 | \$0.0 |
| Reimagining High School | \$11.2 | \$0.0 | \$0.0 |
| Mental Health Supports | \$6.0 | \$0.0 | \$2.0 |
| Minimum Per-Pupil Aid | \$0.0 | \$52.5 | \$0.0 |
| Green Schoolworks | \$0.0 | \$5.0 | \$0.0 |
| AP Math and Science | \$0.0 | \$0.0 | \$2.3 |
| Early College Programs | \$0.0 | \$0.0 | \$6.0 |
| Innovation Pathways | \$0.0 | \$0.0 | \$3.0 |
| Total Surtax Spending | \$853.2 | \$868.5 | \$831.4 |
| Innovation & Capital Fund Supplemental Budget | | | |
| Program | Governor | House | Senate |
| Special Education Circuit Breaker | \$150.0 | \$152.0 | \$232.0 |
| High Dosage Tutoring | \$25.0 | \$0.0 | \$25.0 |
| School Regionalization Grant Program | \$0.0 | \$0.0 | \$25.0 |
| Early Literacy | \$0.0 | \$0.0 | \$15.0 |
| Accelerating Achievement | \$10.0 | \$0.0 | \$0.0 |
| Adult Basic Education and EL Services | \$5.0 | \$5.0 | \$5.0 |
| Cell-Phone Free Public Schools Grant Program | \$0.0 | \$0.0 | \$1.0 |
| Mental Health Supports | \$0.0 | \$0.0 | \$2.5 |
| Green Schoolworks | \$0.0 | \$20.0 | \$0.0 |
| FY 2026 Regional School Transportation | \$0.0 | \$3.0 | \$0.0 |
| Civics Education | \$0.0 | \$2.1 | \$0.0 |
| Rural School Aid | \$0.0 | \$2.0 | \$8.0 |
| Local Education Projects | \$0.0 | \$29.4 | \$26.9 |
| Total Supplemental Spending | \$190.0 | \$213.5 | \$340.4 |

\$ in millions

Higher Education

In FY 2027, the SWM budget funds the public higher education sector at \$2.17 billion, an increase of \$84.4 million (4 percent) over the FY 2026 GAA. This total funding level includes \$1.93 billion in non-surtax spending and \$246 million in surtax-supported investments.

The Senate spends approximately \$5 million more than the Governor on public higher education and \$14.2 million more than the House. The majority of the increase compared to the House budget is related to the restoration of funding for the University of Massachusetts to fully fund ratified collective bargaining agreements.

Higher Education Spending in the SWM Budget

| Category | FY 2026 GAA | FY 2027 - Governor | FY 2027 - House | FY 2027 - SWM |
|--|------------------|-----------------------|--------------------|------------------|
| Community Colleges | \$385.1 | \$415.1 | \$415.1 | \$415.7 |
| State Universities | \$374.9 | \$407.9 | \$408.1 | \$409.5 |
| University of Massachusetts | \$836.6 | \$887.6 | \$870.3 | \$877.9 |
| <i>University of Massachusetts</i> | \$833.0 | \$884.0 | \$866.5 | \$874.3 |
| Scholarship Programs & Student Supports | \$198.5 | \$199.4 | \$185.4 | \$199.4 |
| <i>Community College SUCCESS Fund</i> | \$14.0 | \$14.0 | \$0.0 | \$14.0 |
| <i>State Scholarship Program</i> | \$175.8 | \$176.7 | \$176.7 | \$176.7 |
| Other Higher Education | \$26.2 | \$21.3 | \$21.2 | \$23.9 |
| Income Surtax Spending - Higher Ed | \$266.7 | \$236.0 | \$258.0 | \$246.0 |
| <i>Financial Aid Expansion</i> | \$85.0 | \$85.0 | \$85.0 | \$85.0 |
| <i>Targeted Scholarships</i> | \$5.0 | \$0.0 | \$10.0 | \$0.0 |
| <i>State University SUCCESS</i> | \$14.0 | \$14.0 | \$18.0 | \$14.0 |
| <i>Free Community College</i> | \$96.0 | \$137.0 | \$127.0 | \$137.0 |
| <i>UMass SUCCESS</i> | \$0.0 | \$0.0 | \$0.0 | \$10.0 |
| <i>Community College SUCCESS</i> | \$0.0 | \$0.0 | \$18.0 | \$0.0 |
| Total Higher Education Spending | \$2,088.0 | \$2,167.4 | \$2,158.2 | \$2,172.4 |

\$ in millions

Public Higher Education Campuses

- **Community College** campuses are funded at a total of \$415.7 million in the SWM budget, an increase of \$30.5 million (7.9 percent) over the FY 2026 GAA and essentially level with the Governor and House budgets.
- **State University** campuses are funded at a total of \$409.5 million, an increase of \$34.6 million (9.2 percent) over the FY 2026 GAA and similarly, almost level with the Governor and House.
- The **University of Massachusetts** system is funded at \$874.3 million, a \$41.2 million (5 percent) increase over the prior year. The Senate increases funding for UMass slightly over the House budget, and essentially level-funds the system with the Governor’s budget.

Funding increases for public higher education campuses in the SWM budget are predominantly driven by the annualization of collective bargaining agreements.

Scholarship Programs & Addressing Student Costs

Through the use of General Fund and surtax revenues, the SWM budget includes a total of \$308 million for scholarship programs and other student supports, including \$176.7 million for the state’s primary Scholarship Reserve. Using both General Fund and surtax revenues, the SWM budget provides funding for SUCCESS programs at all public colleges and universities, including \$14 million each for the community colleges and state universities, as well as \$10 million for the University of Massachusetts.

Surtax Spending for Higher Education

Across their FY 2027 operating budget proposal and the Innovation and Capital Fund supplemental budget, the Senate spends \$274.3 million in surtax revenues for higher education.

- The SWM operating budget proposal includes \$246 million in surtax-supported spending for the higher education sector.** The single largest surtax-supported investment related to higher education is \$137 million for the continuation of Free Community College. The Senate also includes \$85 million for Financial Aid Expansion, \$14 million for the State University SUCCESS program, and \$10 million for the SUCCESS program at the University of Massachusetts.
- The Innovation and Capital Fund supplemental budget passed by the Senate includes \$28.3 million for higher education,** including \$18.3 million for Financial Aid Assistance and \$10 million for a pilot program at UMass Medical School to provide financial assistance to individuals pursuing careers as family medicine physicians. The Senate bill also includes \$100 million for public higher education institutions to respond to federal funding uncertainty, support scientific research initiatives, and participate in joint ventures related to research and innovation. However, this investment is supported by surtax revenues collected in FY 2026 and held in the Education and Transportation Fund, therefore it is excluded from the table below.

Surtax Spending Proposals for Higher Education

| FY 2027 Operating Budget | | | |
|---|----------------|----------------|----------------|
| Program | Governor | House Budget | SWM Budget |
| Free Community College | \$137.0 | \$127.1 | \$137.0 |
| Financial Aid Expansion | \$85.0 | \$85.0 | \$85.0 |
| State University SUCCESS Program | \$14.0 | \$18.0 | \$14.0 |
| Community College SUCCESS Program | \$0.0 | \$18.0 | \$0.0 |
| Targeted Scholarships | \$0.0 | \$10.0 | \$0.0 |
| UMass SUCCESS Program | \$0.0 | \$0.0 | \$10.0 |
| Total Surtax Spending | \$236.0 | \$258.1 | \$246.0 |
| Innovation & Capital Fund Supplemental Budget | | | |
| Program | Governor | House | Senate |
| Financial Aid Assistance | \$18.3 | \$18.3 | \$18.3 |
| UMass Medical School Pilot Program | \$0.0 | \$0.0 | \$10.0 |
| UMass Endowment Incentive Program | \$0.0 | \$10.0 | \$0.0 |
| Higher Ed Endowment Incentive Program | \$0.0 | \$10.0 | \$0.0 |
| Tomorrow's Educators Scholarships | \$0.0 | \$5.1 | \$0.0 |
| Targeted Scholarships | \$0.0 | \$10.0 | \$0.0 |
| Total Supplemental Spending | \$18.3 | \$53.4 | \$28.3 |

\$ in millions

Workforce & Career Readiness

MTF monitors workforce and career readiness investments across 39 line-items in the state budget, administered by seven secretariats. Workforce programs range from providing specialized training for in-demand industry credentials to offering high school students the opportunity to graduate with college credits at no cost to the student.

MTF organizes workforce investments into three categories based on the target population and the policy goal: individual workforce training, sector-based programs, and training opportunities for state-serving populations.

In FY 2027, the SWM budget includes \$541.6 million in total funding for these programs, a \$24.5 million (4.7 percent) increase compared to FY 2026. This total funding level is \$5.4 million less than the Governor’s budget and \$3.2 million less than the House.

Workforce Spending by Category in the SWM Budget

| Category | FY 2026 GAA | FY 2027 - Governor | FY 2027 - House | FY 2027 - SWM |
|---|----------------|--------------------|-----------------|----------------|
| Sector-Based | \$42.5 | \$49.2 | \$43.8 | \$36.7 |
| <i>Innovation Pathways</i> | \$4.8 | \$4.8 | \$4.8 | \$7.8 |
| <i>Nursing & Allied Health Workforce Develop.</i> | \$1.1 | \$0.6 | \$0.8 | \$1.1 |
| <i>Transfer to WCTF</i> | \$8.0 | \$8.0 | \$10.0 | \$5.0 |
| Training Opportunities for State Populations | \$352.0 | \$377.8 | \$377.9 | \$377.8 |
| <i>Community Day and Work Programs</i> | \$287.4 | \$313.5 | \$313.5 | \$313.5 |
| Individual Workforce Training | \$122.6 | \$120.0 | \$123.1 | \$127.1 |
| <i>Early College Programs</i> | \$14.4 | \$15.0 | \$15.2 | \$21.0 |
| <i>Summer Jobs Program for At-Risk Youth</i> | \$15.4 | \$15.4 | \$17.6 | \$15.4 |
| <i>YouthBuild Grants</i> | \$3.0 | \$1.8 | \$1.9 | \$3.0 |
| Total Workforce Spending | \$517.1 | \$547.0 | \$544.7 | \$541.6 |

\$ in millions

Notable workforce investments in the SWM budget include:

- **Innovation Pathways** (\$7.8 million) – The SWM budget includes \$7.8 million in total funding for Innovation Pathways. As described earlier, this appropriation is supported by \$3 million in surtax revenues. At \$7.8 million, this funding level represents an increase of \$2.9 million over the FY 2026 GAA, the Governor’s budget, and the House proposal.
- **Early College Programs** (\$21 million) – The Senate provides \$21 million in funding for Early College programs in their FY 2027 budget proposal, an increase of \$6.6 million over the FY 2026 GAA. This total funding level includes \$6 million supported by surtax revenues.
- **Transfer to the Workforce Competitiveness Trust Fund** (\$5 million) – The SWM budget provides a \$5 million transfer to the Workforce Competitiveness Trust Fund, \$3 million less than the FY 2026 GAA and the Governor’s budget, and \$5 million less than the House budget.
- **YouthBuild Grants** (\$3 million) – The Senate increases funding for YouthBuild Grants to \$3 million, approximately \$1.25 million higher than the Governor and House. This program was similarly funded at \$3 million in the FY 2026 GAA.

While the SWM budget does not fund the Governor’s \$11.2 million Reimagining High School line-item, which uses surtax-supported funds to expand Early College and Innovation Career Pathways, the line-items for both programs

in the SWM budget include a mix of general fund and surtax resources, resulting in similar funding proposed by the Governor across both funding sources.

Transportation

The SWM budget includes \$1.304 billion in funding for transportation in their FY 2027 operating budget proposal. This represents an increase of \$53.3 million (4.3 percent) over the FY 2026 GAA. The Senate spends \$40 million less than the Governor on transportation and is effectively level (\$245K less) with the House.

Transportation spending in the SWM budget includes \$975 million in surtax revenue, \$550 million of which is first transferred to the Commonwealth Transportation Fund (CTF). The administration proposed dedicating \$975 million in surtax revenues to the CTF. Like SWM, the House dedicated \$550 million in revenues to the CTF while spending a further \$425 million in surtax resources on transportation.

The SWM budget proposes nearly the exact same operating budget distribution of funding for transportation as proposed in the HWM budget, with similar transfers to the MBTA (\$470 million), RTAs (\$217.5 million), and MassDOT (\$605 million). This similarity marks a departure from the Senate’s FY 2026 budget, which reduced funding for the MBTA compared to the House and administration, with a greater focus on RTA funding. The Senate provides sufficient funding to support the MBTA for one fiscal year, while the administration and House included funding to provide the authority with at least two years of budget stability.

Transportation Spending in the SWM Budget

| Category | FY 2026 GAA | FY 2027 - Governor | FY 2027 - House | FY 2027 - SWM |
|--|-------------------|--------------------|-------------------|-------------------|
| Transportation Transfers | \$1,249.82 | \$1,344.08 | \$1,304.33 | \$1,304.08 |
| Transfer to MassDOT | \$558.95 | \$644.96 | \$605.06 | \$604.96 |
| Transfer to MBTA | \$470.20 | \$470.00 | \$470.15 | \$470.00 |
| Transfer to RTAs | \$209.00 | \$217.45 | \$217.45 | \$217.45 |
| Merit Rating Board | \$11.67 | \$11.67 | \$11.67 | \$11.67 |
| Surtax Spending for Transportation | \$712.00 | \$975.00 | \$975.00 | \$975.00 |
| <i>Income Surtax Spending (CTF Transfer)</i> | <i>\$550.00</i> | <i>\$975.00</i> | <i>\$550.00</i> | <i>\$550.00</i> |
| <i>Other Surtax Spending</i> | <i>\$162.00</i> | <i>\$0.00</i> | <i>\$425.00</i> | <i>\$425.00</i> |
| Total Transportation Spending | \$1,249.82 | \$1,344.08 | \$1,304.33 | \$1,304.08 |

\$ in millions

Through the Innovation and Capital Fund supplemental budget, the Senate provided \$746.2 million in additional support for the transportation sector. In the sections that follow, that supplemental spending is considered alongside operating budget investments to assess total transportation spending by agency.

MBTA

Between the SWM budget and the Innovation and Capital Fund supplemental budget, the Senate provides \$988 million in funding for the MBTA. This represents a decrease of \$126.7 million compared to the Governor and is \$222 million less than the House.

Proposed MBTA Funding in FY 2027

| Investments | Governor's Proposal | House | Senate |
|---------------------------------------|---------------------|------------------|----------------|
| Operating Budget MBTA Spending | \$470.0 | \$470.0 | \$470.0 |
| Supplemental MBTA Spending | \$644.7 | \$740.0 | \$518.0 |
| <i>MBTA Operating Subsidy</i> | \$523.0 | \$525.0 | \$430.0 |
| <i>FTA Reserve</i> | \$121.7 | \$125.0 | \$0.0 |
| <i>MBTA Physical Infrastructure</i> | \$0.0 | \$60.0 | \$60.0 |
| <i>Low-Income Fare Relief</i> | \$0.0 | \$20.0 | \$20.0 |
| <i>Water Transportation</i> | \$0.0 | \$10.0 | \$8.0 |
| Total MBTA Funding | \$1,114.7 | \$1,210.0 | \$988.0 |

\$ in millions

In FY 2027, operating expenses at the MBTA are projected to exceed available revenues by \$1.1 billion. Given the Senate's proposed funding of \$988 between the operating budget and the IC supplemental budget, the MBTA would require \$43 million in reserves to close its FY 2027 budget. If current MBTA projections remain on target, the SWM approach would leave an FY 2028 funding deficit at the MBTA, barring additional resources or other savings initiatives.

Estimated MBTA Budget Gaps in FY 2027 & FY 2028 with SWM Proposal

| | Senate | |
|--|------------------|------------------|
| | FY 2027 | FY 2028 |
| MBTA Estimated Gap | (\$1,119) | (\$1,307) |
| Projected Savings | \$88 | \$105 |
| Starting Gap (post-savings) | (\$1,031) | (\$1,202) |
| Operating Budget Transfer (Surtax) | \$470 | \$470 |
| Operating Budget Subsidy (IC Supp) | \$430 | \$0 |
| Workforce and Safety Reserve (IC Supp) | \$0 | \$0 |
| Other MBTA Investments (IC Supp) | \$88 | \$0 |
| Remaining Gap | (\$43) | (\$732) |
| Additional Reserve Draw | \$43 | \$470 |
| Final Budget Gap | \$0 | (\$262) |
| Remaining Reserves (Existing & New) | \$470 | \$0 |

\$ in millions

MassDOT

Across the Senate's two spending bill proposals, MassDOT receives a total of \$712 million in funding, a decrease of \$13 million compared to the Governor, but an increase of \$46.9 million compared to the House. In the FY 2026 GAA, MassDOT received \$538.6 million and a further \$16.4 in the Innovation and Capital supplemental budget.

Through the two bills, the Senate includes more support for snow and ice removal costs than either the Governor or House budgets, but does not include any additional funds for MassDOT service investments. The Senate's Innovation

and Capital supplemental budget also does not include a proposed \$30 million sustainable aviation fuel tax credit supported by both the administration and the House.

Proposed MassDOT Funding in FY 2027

| Investments | Governor's Proposal | House | Senate |
|--|---------------------|----------------|----------------|
| Operating Budget MassDOT Spending | \$645.0 | \$605.1 | \$605.0 |
| Supplemental MassDOT Spending | \$80.0 | \$60.0 | \$107.0 |
| MassDOT Service Investments | \$43.0 | \$30.0 | \$0.0 |
| Sustainable Aviation Fuel Credit | \$30.0 | \$30.0 | \$0.0 |
| Unpaved Roads | \$7.0 | \$0.0 | \$7.0 |
| Snow & Ice Removal | \$0.0 | \$0.0 | \$100.0 |
| Total MassDOT Funding | \$725.0 | \$665.1 | \$712.0 |

\$ in millions

Regional Transit Authorities

Senate funding for RTAs totals \$327.5 million across the SWM budget and the Innovation and Capital Fund budget, comprised of \$217.5 million in the SWM budget and \$110 million in the Innovation and Capital supplemental budget. This total funding level represents an increase of \$50 million over the Governor’s proposal, and \$85 million over the House. Last year, RTAs received \$209 million in the FY 2026 GAA and \$50 million in the Innovation and Capital supplemental budget.

Proposed RTA Funding in FY 2027

| Investments | Governor's Proposal | House | Senate |
|--------------------------------------|---------------------|----------------|----------------|
| Operating Budget RTA Spending | \$217.5 | \$217.5 | \$217.5 |
| Supplemental RTA Spending | \$60.0 | \$25.0 | \$110.0 |
| RTA Supports | \$45.0 | \$25.0 | \$45.0 |
| Microtransit & Last Mile Initiatives | \$15.0 | \$0.0 | \$15.0 |
| RTA Capital Infrastructure Grants | \$0.0 | \$0.0 | \$50.0 |
| Total RTA Funding | \$277.5 | \$242.5 | \$327.5 |

\$ in millions

Housing

In FY 2027, the SWM budget funds programs related to housing stabilization, homelessness prevention, and housing financial assistance at a total of \$1.19 billion. This represents an increase of \$33.5 million (2.9 percent) over the FY 2026 GAA. This funding level is approximately \$15 million less than the Governor and \$36 million less than the House.

Housing Investments in the SWM Budget

| Category of Program | FY 2026 GAA | FY 2027 - Governor | FY 2027 - House | FY 2027 - SWM |
|--|------------------|-----------------------|--------------------|------------------|
| Housing Stabilization & Homelessness Prevention | \$496.0 | \$532.5 | \$524.7 | \$520.5 |
| <i>EA Family Shelters and Services</i> | \$276.4 | \$258.6 | \$259.1 | \$258.6 |
| <i>Homeless Individual Shelters</i> | \$113.3 | \$114.0 | \$115.1 | \$114.0 |
| <i>Family Shelter Diversion</i> | \$0.0 | \$7.5 | \$0.0 | \$7.5 |
| <i>Winter Beds</i> | \$0.0 | \$12.0 | \$8.0 | \$0.0 |
| Housing Financial Assistance | \$496.8 | \$515.3 | \$530.7 | \$515.4 |
| <i>Massachusetts Rental Voucher Program</i> | \$253.3 | \$278.3 | \$281.3 | \$278.3 |
| <i>Rental Subsidy Program for DMH Clients</i> | \$16.5 | \$16.5 | \$20.0 | \$16.5 |
| <i>Residential Assistance for Families in Transition</i> | \$207.5 | \$201.2 | \$210.1 | \$201.2 |
| Counseling & Education Services | \$5.9 | \$5.0 | \$5.2 | \$5.2 |
| Public Housing | \$116.9 | \$119.1 | \$119.1 | \$119.1 |
| Other Housing | \$39.7 | \$31.9 | \$45.0 | \$28.7 |
| <i>Shelter Workforce Assistance</i> | \$10.0 | \$0.0 | \$10.0 | \$0.0 |
| Total Housing Spending | \$1,155.2 | \$1,203.8 | \$1,224.7 | \$1,188.8 |

\$ in millions

Notable housing-related spending in the SWM budget includes:

- **Emergency Assistance Shelter** (\$258.6 million) – Funding for the Emergency Assistance (EA) shelter system in the SWM budget totals \$258.6 million, a decrease of \$17.7 million (6 percent) compared to FY 2026, but level with the Governor’s budget.
- **Family Shelter Diversion** (\$7.5 million) – The SWM budget includes \$7.5 million for the administration’s winter shelter initiative, which is intended to provide additional shelter beds during the cold weather months. The House excluded funding for this new item.
- **Massachusetts Rental Voucher Program** (\$278.3 million) – The Senate provides \$278.3 million for the MRVP program, an increase of \$25 million (10 percent) over the FY 2026 GAA and level with the Governor’s budget. According to the administration, this funding level is expected to support the leasing of 11.5K vouchers, including more than 340 new project-based vouchers.
- **Residential Assistance for Families in Transition** (\$201.2 million) – The SWM budget includes \$201.2 million for RAFT, a decrease of approximately \$6 million from the FY 2026 GAA and level with the Governor’s budget. The House budget increased funding for RAFT in FY 2027, to \$210.1 million.

SWM Budget – Spending Takeaways

- **Total Spending** – The SWM budget increases spending over the FY 2026 GAA by \$2.25 billion (3.7 percent). Compared to the Governor’s proposal, spending in the Senate plan is \$66 million less. They also spend \$120 million less than the House; however, that gap is likely to close after the Senate completes its debate process. In prior years, the Senate has added more than \$80 million in funding during debate.
- **Notable Spending Increases** – The Senate’s spending plan includes notable funding increases for local aid and support services. Funding for UGGA and Chapter 70 state aid increases by four percent over the prior year, directing a combined increase of \$350 million towards local cities and towns. The SWM budget also restores funding for caseworkers at DTA, which had been excluded by the House.
- **Notable Spending Decreases** – Compared to the House, the Senate spends less in the areas of housing, energy and environment, and education. The decrease in education spending compared to the House is largely related to the Senate’s exclusion of a new \$10 million reserve for school districts facing increased costs related to a large number of English Language students transferring into the district.
- **Surtax Spending** – Surtax spending in the SWM budget totals \$2.7 billion and is divided between education (\$1.725 billion, 64 percent) and transportation (\$975 million, 36 percent). For the first time since the surtax has been included in the operating budget, the Governor, House, and Senate have put forward proposals that include the same distribution of surtax revenues between the education and transportation sectors.
- **SOA Implementation** – Like the Governor and House, the SWM budget fully funds the sixth and final year of SOA implementation. The Senate also follows the House’s lead in providing minimum aid of \$160 per pupil.
- **MBTA Budget Sustainability** – The SWM budget includes \$470 million in operating support for the MBTA. Combined with approximately \$518 million in MBTA-related investments for the Innovation and Capital Fund supplemental budget, the Senate provides the authority with the resources necessary to close a projected budget gap in FY 2027.

FY 2027 SWM Budget – Outside Policy Sections

The FY 2027 SWM budget includes 58 outside policy sections, 41 fewer than Governor Healey’s proposal and 15 fewer than what was included by the House out of committee. The FY 2026 budget that was signed into law last July included 135 outside sections.

Policy Sections in the SWM Budget Compared

| | FY 2026 SWM | FY 2026 Conference | FY 2027 Governor | FY 2027 HWM | FY 2026 SWM |
|-----------------|-------------|--------------------|------------------|-------------|-------------|
| Policy Sections | 90 | 135 | 99 | 73 | 58 |

The 58 sections proposed by SWM represent a sharp reduction from FY 2026, when the committee version of the Senate’s budget included 90 policy sections. Of those 58 sections, there is also significant overlap with prior

proposals. A majority of SWM sections (53) are shared with either the administration or House budgets, while 15 sections are unique to SWM.

SWM Outside Sections v. Governor’s Budget & HWM

| Total SWM Sections | Sections Shared with Gov. | Sections Shared with HWM | Unique Sections |
|--------------------|---------------------------|--------------------------|-----------------|
| 58 | 41 | 34 | 15 |

In spite of this significant overlap, the SWM budget does include several new policy initiatives related to local zoning and permitting approval, the creation of a new Foundation Budget Review Commission, and rates for automotive work covered by insurance.

The SWM budget does not include several of the major policy initiatives proposed by the administration or House budgets. Notable exclusions:

Administration Proposals Not Included:

- Authorizing camera enforcement of speeding;
- Reducing instances in which driver’s licenses can be withheld for non-payment of fees and fines;
- Increasing the surtax dedication to the Commonwealth Transportation Fund from \$550 million to \$975 million;
- Easing ownership representative requirements for some public construction projects; and
- Extending a pilot program for expanded ConnectorCare eligibility.

House Proposals Not Included

- Establishing a mechanism to increase the cost of living base for state retirees and retired teachers;
- Mandating insurance coverage of HIV treatments;
- Creating new information sharing requirements for special education transportation contracts; and
- Requiring Early Intervention referrals within 30 days of a child beginning a stay in a family shelter.

Notable SWM sections include:

FY 2027 Finances

Gaming Fund Diversion & Racehorse Development Fund (Sections 8 and 52) – The SWM budget, like the House and administration budgets, redirects gaming resources from off-budget trust funds to funds available for the budget. The SWM diversion is identical to that proposed by the Governor and provides about \$112 million to the state budget. The SWM budget also includes a section permanently changing the share of gaming revenues directed to the Race Horse Development Fund, which provides \$8.5 million in additional resources for the FY 2027 budget.

Budget Stress Test & Stabilization Fund and Long-term Liability Financing Task Force (Section 15) – SWM adopts a proposal from the Governor’s budget that creates a standing task force to review funding for the Stabilization Fund and other long-term liabilities and requires the administration to conduct an annual multi-year budget forecast that assesses the Commonwealth’s ability to withstand various fiscal scenarios. The forecasts would look at least three

years ahead to identify key risks, likely impacts of changes in revenue or spending trends, and the sufficiency of reserves to address potential negative shocks. The House budget included the budget stress test requirement, but did not codify a long-term liabilities task force.

Income Surtax Appropriations Table (Section 16) – The SWM budget includes a section changing how budget appropriations made through income surtax collections are presented in the budget. SWM proposes including a table of all surtax spending in Section 2F of the budget while incorporating surtax spending in departmental line items throughout the budget. Currently, the majority of surtax spending is shown in separate appropriations in section 2F. The SWM approach is intended to reduce confusion when programs receive funding through both surtax and other resources.

Sheriffs' Financial Controls (Section 40) – This section requires the Executive Office for Administration and Finance to impose hiring and spending controls to restrict the number of employees for each sheriff's office and prevent spending in excess of budget appropriations. The proposal also establishes an oversight authority for sheriffs' offices that fail to comply with spending controls or spend into a deficiency through the creation of the Sheriff Fiscal Oversight Council within the Executive Office of Public Safety and Security. Additionally, this section explicitly prohibits sheriff's offices from spending into deficiency in FY 2027 and requires sheriff's offices to submit sufficient documentation to the Executive for Administration and Finance for any supplemental funding requests, the House included a similar proposal.

Capital Gains Distribution (Section 53) – This section would set the capital gains threshold in FY 2027 at \$2.25 billion, \$467 million higher than the \$1.78 billion threshold calculated under current statute. The SWM budget also alters the distribution of capital gains collections in excess of the \$2.25 billion cap, directing 58.6 percent to the State Retiree Benefits Trust Fund (SRBTF), 20 percent to the Stabilization Fund, 13.6 percent to the state's pension liability, and 7.8 percent to the Disaster Relief and Fiscal Resiliency Fund. This distribution is similar to that proposed by the House, with a majority of excess funds going to the SRBTF. However, the House did not devote any surplus to disaster relief and resiliency. The Governor's budget proposed dedicating a larger share (39.1 percent) to the Stabilization Fund.

As noted above, unlike the administration and House, SWM does not propose any permanent changes to the calculation of the capital gains threshold.

Interest Earnings (Section 55) – This section directs interest earnings on state held, non-budgeted, trust fund balances to the General Fund. Currently, interest on these funds is retained by the generating trust fund. The SWM budget, like the administration and the House, estimates that this redirection would provide approximately \$150 million to the budget in FY 2027. This section would not apply to the Stabilization Fund, whose interest is redirected to the Commonwealth Federal Matching and Debt Reduction Fund. This section was also included in the Governor's budget.

Abandoned Property Revenues (Section 56) – This section requires that, in FY 2027, all revenue from the sale of abandoned property would go to the General Fund. Without this proposal, 75 percent of any growth in abandoned property revenue compared to FY 2026 would be dedicated to the Stabilization Fund. This section was included by the administration and the House.

Transportation & Housing

Electronic Notice of Zoning Changes (Sections 18-19 and 24-25) – These sections authorize required notices related to proposed zoning ordinances, by-laws or amendments, as well as challenges to such changes, to be sent electronically. The House did not include this proposal.

Housing Production (Sections 20 – 23) – These sections make several changes related to construction projects with pre-existing nonconformities to the applicable zoning regulations. First, these sections authorize buildings on lots with existing pre-existing nonconformities to be expanded or altered as long as the changes comply with existing zoning regulations. The Senate also includes provisions increasing, from 12 months to 24 months, the timeframe from the issuance of the last building permit that a developer must commence construction on a project without needing to comply with changes made to applicable zoning regulations. These sections also rewrite the standard of review for permitting authorities to grant variances, requiring the permitting authority to consider additional criteria, including the public interest in supporting the production of housing, and increases, from 1 year to 2 years, the amount of time for a variance to be exercised before lapsing. The administration and the House did not include these proposals.

Regional Transit Authority Funding (Section 51) – This section establishes a funding formula for regional transit authorities for FY 2027, requiring \$123.45 million in operating assistance, including \$94 million in standard formula-based funding, which is required to be allocated according to the FY 2026 distribution schedule agreed to between each RTA and MassDOT. The administration and the House included similar language in their budget proposals but included \$123.5 million in operating assistance.

Health and Human Services

Expanded Pharmaceutical Rebates (Section 29) – This section, also included in the administration’s proposal, would expand MassHealth’s authority to negotiate supplemental rebates to non-drug products and pharmaceuticals not currently covered by the MassHealth rebate program. This proposal has been included in previous budgets by the administration and the Senate. The House did not include this proposal.

Turning 22 Commission (Section 37) – SWM proposes a commission to develop a plan to address the needs of persons with disabilities whose entitlement for services ends at age 22. The language notes that this population is growing, and the commission is asked to recommend ways to improve transition services and outcomes for the turning 22 population. The 19-member commission is tasked with examining a number of policy aspects. The commission’s report is due in June of 2027.

MassHealth Dental Services (Section 42) – This section authorizes MassHealth to determine the level of dental services, not required under the federal Medicaid program, covered by the program and in the Health Safety Net. The section allows MassHealth, beginning in FY 2027, to impose coverage caps, coverage changes, exclusions and limitations for adult dental services. The same authorization would also exist for the Health Safety Net. However, the SWM budget prohibits any cap or other changes that would result in a cap of less than \$1,750 for covered adult dental services, the same cap proposed by the House. The Governor’s budget capped adult dental services at \$1,000.

Education & Child Services

Foundation Budget Review Commission (Sections 27 & 38) – The SWM budget proposes a new Foundation Budget Review Commission to review and make recommendations on the state’s K-12 school funding formula. The last FBRC was convened in FY 2015. The section defines the 29-person membership of the Commission and requires DESE to provide staff necessary for the Commission’s work. Under the section, the Commission is required to hold at least four hearings around the state. The FBRC is empowered to review other education finance programs as well and is required to identify and recommend resources necessary to support recommendations that would increase costs to the state. The commission’s report is due in October of 2028.

School Building Authority Commission (Section 39) – The SWM budget proposes a commission to look at the state’s School Building Authority program. The 21-member commission is directed to examine school facility needs in the Commonwealth as well as the current financing model used by the SBA. The commission’s recommendations are due in June of 2027.

Workforce & Employers

Workforce Investment Trust Fund & Economic Development Trust Fund (Sections 9-14) – SWM, like the administration, alters the distribution of sports wagering revenue, reducing the share to the Workforce Investment Trust Fund from 17.5 percent to 10 percent and dedicating 7.5 percent to the Economic Development Trust Fund. The House proposed directing 7.5 percent to the Sports and Entertainment Events Fund. These sections also change the language governing the Workforce Investment Trust Fund, requiring consultation on all expenditures with the Secretary of Labor and Workforce Development, and allowing funds to be used to support internships and apprenticeships. The Economic Development Trust Fund can be used for operating costs for the state’s Office of Community Development and Mass. Marketing Partnership, as well as for costs of other economic development programs and initiatives.

Youth Employment Permitting (Section 32) – This section, proposed by the administration and the Senate, makes several changes to the youth employment permitting process in the Commonwealth, including, authorizing superintendents or school committees to designate a youth work permit coordinator, authorizing minors to be employed by a school or school district, requiring minors seeking an employment permit to submit an application, requiring certain documents to be recorded after an employer makes an offer of employment to a minor, and allowing the minor to access the work permit electronically. This section also removes the requirement that youth employment permits include personally identifiable information and requires the Department of Labor Standards, in coordination with the Attorney General, to determine what information is necessary to include on such a permit. The House did not include this proposal.

Workforce Productivity Fund (Sections 34-35 and 53) – These sections direct \$1 million in contributions to the state’s Paid Family and Medical Leave Fund to a new Workforce Productivity Sub-Fund to support certain businesses with costs associated with covering a temporary vacancy due to an employee being on an approved continuous leave or for other purposes determined by DFML. The House and administration included this proposal as well.

Other

Inspector General Hearings (Section 7) – This section, which was not included by the House or the administration, provides more flexibility to the Inspector General in structuring the staff and representatives approved to hear testimony, under oath, provided as part of IG investigations.

Simplified Subscription Cancellation (Section 28) – This section, also proposed by the administration, requires that any product where non-response by a consumer can be taken as affirmative action to accept an offer of service to also have a simple mechanism for cancellation of the service. Violation of the requirement shall constitute an unfair or deceptive business practice under the state’s consumer protection laws. The Senate proposal also requires that consumers be notified of the financial obligation of failure to cancel a subscription. The House did not include this proposal.

Autobody Labor Rates (Sections 33 & 60) – SWM includes a proposal requiring the Division of Insurance to set minimum autobody labor rates for repair covered by insurance. Under the requirement, rates would need to be updated at least every 5 years. These sections require that minimum rates be implemented in a way that minimizes impact on premiums. DOI is required to develop regulations for the new rate setting by the start of 2027.

Bottom Line

For FY 2027, the Senate has proposed a \$63.29 billion spending plan that would increase spending over the FY 2026 GAA by \$2.25 billion (3.7 percent). For the third year in a row, the Senate is putting forward a budget that spends less than the Governor’s original recommendation, indicative of the fiscal constraints and uncertainties currently facing the Commonwealth.

Like the Governor and House, the Senate faced the same basic challenge when putting together their proposal: an estimated \$3.5 billion budget gap caused by limited ongoing revenue growth and increasing cost pressures. To address this challenge and produce a balanced budget, the SWM budget adopts the majority of the administration’s revenue and spending-side solutions, totaling approximately \$2.7 billion.

The Senate will enter its debate process with a budget that spends \$37 million less than the HWM budget and \$120 million less than the final House budget. That gap is guaranteed to close after several days of Senate debate, and spending adopted during debate has historically reflected the unique priorities of each branch and its members. Over the last three years, the Senate has adopted an average of \$84 million during debate.

Taking a step back, the FY 2027 budget development process has been notable for how closely the legislature has adhered to the original budget filed by the Governor. The two bills released from the House and Senate Ways and Means committees also include relatively few major spending and policy differences. This may indicate a desire on the part of budget writers to produce a conference budget before the statutorily required July 1st deadline; however, conference discussions on the supplemental surtax spending bill may also require substantial attention and negotiation. Given the interconnectedness of the two spending bills, conference discussions will likely take place in tandem to produce a coherent spending plan for FY 2027.