



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

MTF Bulletin

May 9, 2023

Senate Ways and Means FY 2024 Budget

The Fiscal Year (FY) 2024 budget process reached another milestone today with the release of the Senate Committee on Ways and Means (SWM) budget proposal. The \$55.9 billion SWM spending plan differs from earlier proposals as it was not released in conjuncture with a tax reform bill. However, the SWM budget does set aside \$575 million for the first-year costs of a tax policy bill the Senate plans to take up later this session.

The SWM budget also includes \$1 billion in spending supported by income surtax revenues, and creates a structure to collect, track, and spend surtax revenues that largely follows the framework passed by the House. Additionally, to support early education and behavioral health-related investments in FY 2024, the SWM budget relies on \$437 million in one-time resources from existing trust funds. These same resources, though available, were not utilized in the House budget to support spending.

Senate lawmakers will have until Friday afternoon to file amendments to the SWM budget and will debate the budget during the week of May 22nd.

Budget Overview

The SWM budget proposal includes \$62.9 billion in total spending, including \$55.4 billion for line-item appropriations and \$7.5 billion in statutorily required transfers and other off-budget spending. This represents a \$686.8 million (1.1 percent) increase over the Governor’s budget, and a \$416.9 million (0.7 percent) increase compared to the House budget. SWM also increases spending by \$3.2 billion (5.4 percent) over the FY 2023 General Appropriations Act (GAA).

Senate Ways and Means FY 2024 Spending Overview

	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	\$ vs. Governor	\$ vs. House
Line-Item Spending	\$51,868.71	\$54,777.25	\$54,947.09	\$55,364.04	\$586.79	\$416.95
Medical Asst. Trust Fund	\$575.90	\$505.00	\$505.00	\$505.00	\$0.00	\$0.00
Pre-Budget Transfers	\$6,334.90	\$6,898.90	\$6,898.90	\$6,898.90	\$0.00	\$0.00
Other Off-Budget & Assumed Supps	\$840.00	\$0.00	\$100.00	\$100.00	\$100.00	\$0.00
Total Spend	\$59,619.51	\$62,181.15	\$62,450.99	\$62,867.94	\$686.79	\$416.95

\$ in millions

The SWM budget is supported by \$63 billion in total state revenues, 64 percent of which are comprised of the \$40.4 billion consensus tax revenue estimate established in January. The proposal relies on \$1

billion in revenue generated by the new income surtax. Federal reimbursements and departmental revenues contribute an additional \$22.2 billion in resources. The SWM budget supports spending in excess of the Governor and House by appropriating \$437 million from two early education and behavioral health trust funds capitalized in earlier spending bills.

Senate Ways and Means FY 2024 Revenue Overview

	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	\$ vs. Governor	\$ vs. House
Total Tax Revenue	\$39,759.00	\$40,601.90	\$40,806.40	\$40,885.40	\$283.50	\$79.00
<i>Consensus Tax Agreement</i>	\$39,617.00	\$40,410.40	\$40,410.40	\$40,410.40	\$0.00	\$0.00
<i>Cap Gains Transfer</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Tax Settlements</i>	\$100.00	\$50.00	\$50.00	\$50.00	\$0.00	\$0.00
<i>Tax Initiatives</i>	\$42.00	-\$858.50	-\$654.00	-\$575.00	\$283.50	\$79.00
<i>4% Income Surtax</i>	\$0.00	\$1,000.00	\$1,000.00	\$1,000.00	\$0.00	\$0.00
Federal Revenue	\$14,062.94	\$13,661.85	\$13,748.82	\$13,719.30	\$57.45	-\$29.52
Departmental Revenue & Transfers	\$7,468.75	\$8,555.61	\$8,534.80	\$8,534.80	-\$20.81	\$0.00
Trust Funds Used	\$0.00	\$150.00	\$0.00	\$437.00	\$437.00	\$437.00
Stabilization & Related Transfers	-\$1,468.11	-\$625.04	-\$625.04	-\$583.40	\$41.64	\$41.64
Total Revenue	\$59,822.57	\$62,344.32	\$62,464.98	\$62,993.10	\$798.78	\$528.12

\$ in millions

The Senate Ways and Means proposal differs slightly from the Governor and the House budget regarding FY 2024 deposits into the Stabilization Fund. SWM assumes that the Stabilization Fund will begin FY 2024 with a balance of \$8.5 billion and grow by a further \$555 million, ending the fiscal year with a balance of \$9.07 billion. Compared to the Governor and House, SWM estimates a smaller deposit of excess capital gains revenue into the Stabilization Fund in FY 2024 because the Senate proposes decreasing the share of excess capital gains revenue automatically deposited into the fund from 90 percent to 60 percent. Given the estimated decline in capital gains collections in FY 2023, it is likely that the current year’s deposit will fall short of the projected \$1.6 billion assumed in each FY 2024 spending plan.

FY 2024 Stabilization Fund Estimate

FY 2023 Beginning Balance	\$6,937.50		
<i>Planned Deposits</i>	\$1,580.20		
FY 2023 Ending Balance	\$8,517.70		
	Governor	HWM	SWM
<i>FY 2024 Capital Gains Deposit</i>	\$420.00	\$420.00	\$350.36
<i>FY 2024 Other Deposits</i>	\$205.04	205.04	\$205.04
<i>FY 2024 Withdrawal</i>	\$0.00	\$0.00	\$0.00
FY 2024 Ending Balance	\$9,142.74	\$9,142.74	\$9,073.10

\$ in millions

The Senate did not include a House proposal to increase the Stabilization Fund cap from 15 to 25.5 percent of budgeted revenues. Under current law, the balance of the Stabilization Fund cannot exceed 15 percent of budgeted revenues. Any balance that exceeds 15 percent is automatically transferred to a Tax Reduction Fund. Once authorized by the Legislature, funds in this reserve can only be used to increase the personal income tax exemption.

A Stabilization Fund ending balance of \$9.07 billion in FY 2024 would represent between 12 and 14 percent of budget revenues, based on current assumptions.

Senate Ways & Means Budget – 5 Things to Know

1. The **Senate Ways and Means budget does not reflect a specific tax relief proposal**, instead setting aside \$575 million to cover the FY 2024 costs of future legislation. The SWM budget also uses the same FY 2024 consensus revenue estimate agreed to by administrative and legislative leaders in January and used to build the budgets put forward by the Governor and House.
2. The SWM budget **uses income surtax revenue to fund unique spending priorities across the education and transportation sectors**, including additional assistance for municipal school building projects, regional transit authorities, and a total of \$55 million dedicated to implementing free community college by calendar year 2024. SWM’s surtax spending includes \$449 million in shared spending with the House, but has a greater focus on municipal transit and public higher education.
3. Following the House’s lead, the SWM spending plan **creates a structure to collect, track, and spend income surtax revenues** that is more complicated than the framework proposed by the Governor. SWM:
 - Creates three trust funds, like the House, to collect and spend income surtax revenues.
 - Directs administration and legislative leaders to set the annual spending limit for income surtax revenues for FY 2024 through FY 2026; in FY 2027 and beyond the spending cap will be adjusted by the 10-year average of surtax revenue growth.
 - Exempts surtax revenue from the Chapter 62F allowable revenue threshold and the capital gains transfer, as recommended by the Governor and House.
4. The SWM budget **relies on \$437 million in trust fund resources to support spending in FY 2024**, including \$245 million from the High-Quality Early Education and Care Trust Fund and \$192 million from the Behavioral Health Trust Fund. These resources are used to fund the C3 Childcare Stabilization Grant program, as well as a range of initiatives to bolster the behavioral health workforce.
5. SWM includes **57 outside policy sections** in their budget, 46 more than proposed by the Governor and 18 less than what was included in the FY 2023 SWM proposal. Notable policy sections include:
 - **Increasing the annual cap on grants awarded by the School Building Authority** by \$400 million, raising the total cap to \$1.2 billion.

- **Requiring public universities to offer in-state tuition** and fees to any person who attended at least three-years of high school in Massachusetts, including undocumented residents.
- **Adjusting the annual transfer of excess capital gains revenues** to the Stabilization Fund and other reserves.

FY 2024 SWM Budget Resources

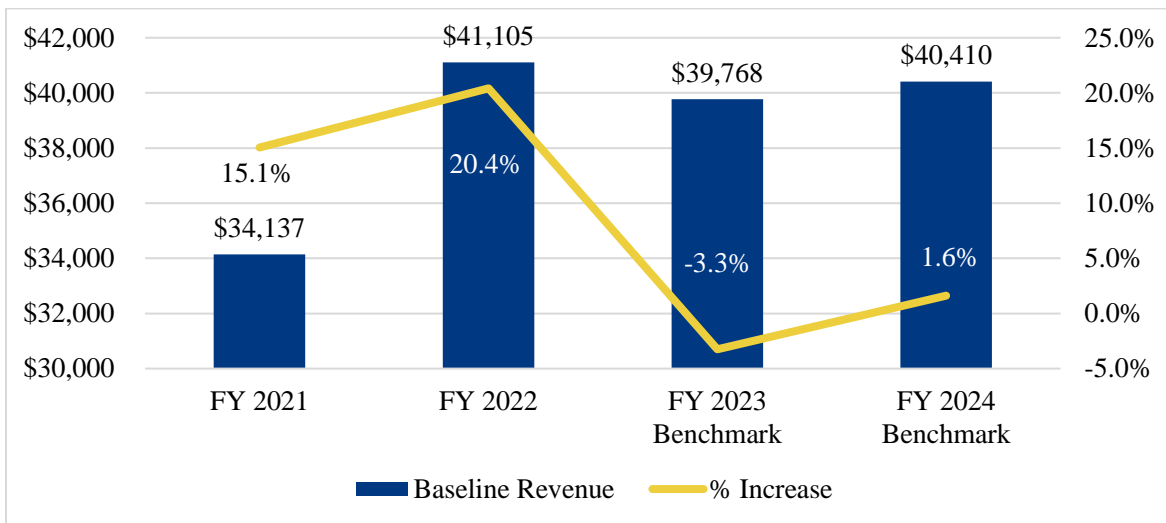
The SWM budget relies on \$63 billion in total state revenues. To assess the resources the Senate utilizes to support spending in FY 2024, this brief organizes them into four categories: (1) baseline tax revenues, (2) income surtax revenue, (3) tax policy initiatives, and (4) non-tax revenues.

Baseline Tax Revenues

The SWM budget is built upon the \$40.4 billion consensus tax revenue estimate agreed to by administration and legislative leaders at the end of January, which assumes that baseline tax growth will slow significantly compared to actual tax revenue growth in FY 2021 and FY 2022.

In FY 2023, budget writers assumed that revenues would fall by 3.3 percent compared to actual collections in FY 2022, and the FY 2024 consensus revenue estimate assumes revenue growth of only 1.6 percent. However, it is important to note that budget writers will have access to more than \$6 billion in new ongoing revenue compared to FY 2021.

Tax Revenue Growth at Consensus Revenue, FY 2021 – FY 2024



\$ in millions

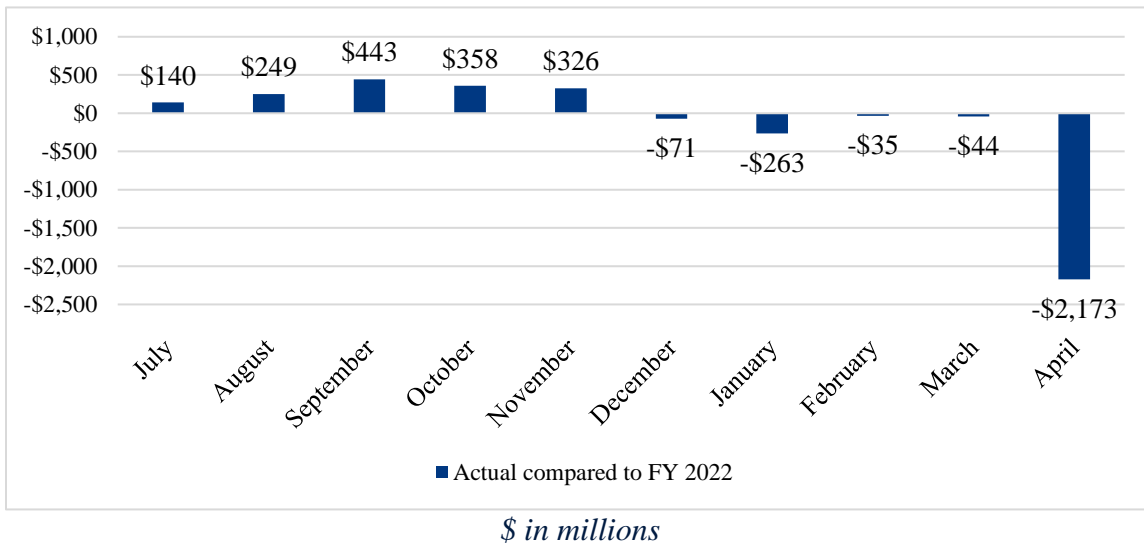
The FY 2024 consensus tax revenue estimate also includes four “pre-budget transfers” to the Workforce Training Trust Fund, the Pension Fund, the MBTA, and the School Building Authority (SBA) totaling \$6.9 billion. After accounting for these pre-budget transfers, as well as the transfer of excess capital gains

tax revenue collections to the Stabilization Fund, \$32.9 billion in consensus tax revenues remain for state budget spending.

FY 2023 Revenue Collection Update

Tax revenue collections for FY 2023 fell sharply in April, coming in \$1.6 billion below the original year-to-date benchmark and \$2.2 billion (6.3 percent) below revenue collections through April in FY 2022. This marks a major change from March, when revenues were ahead of the original revenue benchmark by \$868 million and below FY 2022 collections by only \$44 million.

FY 2023 vs. FY 2022 Revenue Collections (Aggregated)



The loss in revenues appears driven by a significant decline in non-withholding income tax collections, while other categories of revenue – withheld income, sales and use, and corporate and business taxes – remain at or above benchmark. Revenue projections for FY 2023 anticipated a decrease in non-withheld income of well over \$1 billion from the FY 2022 level. However, through April, collections now fall \$3.2 billion (43 percent) below FY 2022 collections over the same time period. This steep decline remains within the expected range of non-withheld income loss between FY 2022 and FY 2024 estimated by MTF. Over that two year period, MTF projected that non-withheld income tax collections would drop by approximately \$3.5 billion.

The decline in non-withholding income is largely attributable to capital gains revenue losses and the payment of tax credits owed due to a Pass-Through Entity tax the state implemented in 2021. The combination of factors contributing to the revenue shortfall, while jarring, was largely predicted by budget writers and economic experts. As [MTF indicated in testimony](#) given at the Consensus Revenue Hearing in January, a sharp decline in non-withholding revenue was never a matter of *if*, but *when*.

Income Surtax Revenue

The SWM budget relies on \$1 billion in revenue generated by the new 4 percent income surtax. This is consistent with the agreement made between administrative and legislative budget writers in January, as

well as the budgets proposed by the Governor and House. The Department of Revenue estimates that in FY 2024, revenue collections related to the surtax will come in between \$1.4 and \$1.8 billion.

The Senate’s spending plan evenly divides income surtax spending between education and transportation investments; and like the Governor and House, includes surtax spending in a new budget section – Section 2F. Also, like the House, the SWM budget does not include specific line-item language to specify whether investments are one-time or recurring; limiting some transparency in the use of these resources compared to the Governor.

The SWM budget carves out unique income surtax spending initiatives across the education and transportation categories, dedicating a greater share of revenues towards higher education, municipal roadway improvements, and regional transit initiatives compared to the House. Detailed descriptions of surtax investments are included in the relevant spending sections of this brief.

SWM Proposed Income Surtax Revenue Investments

	Governor's Budget Total	House Budget Total	SWM Budget Total	SWM v. House
Education	\$510	\$500	\$500	\$0
<i>Early Education</i>	\$140	\$65	\$80	\$15
<i>K-12 Education</i>	\$10	\$261	\$110	-\$151
<i>Higher Education</i>	\$360	\$174	\$310	\$136
Transportation	\$490	\$500	\$500	\$0
<i>MBTA</i>	\$186	\$320	\$195	-\$125
<i>MassDOT</i>	\$264	\$100	\$100	\$0
<i>RTAs</i>	\$25	\$70	\$100	\$30
<i>Local/Pilot Program</i>	\$15	\$10	\$105	\$95
Total Investments	\$1,000	\$1,000	\$1,000	\$0

\$ in millions

Reconciling the differences in surtax spending priorities between the House and Senate budgets will present unique challenges during the Conference Committee process. The two budgets currently include approximately \$449 million in shared spending, and \$551 million in unique items. Given the \$1 billion spending cap, it will not be possible to fund every item at its current level. Budget negotiators will be forced to make difficult decisions to reduce funding levels, cut entire programs, or support some investments with other resources.

Income Surtax Shared & Unique Spending

Category	SWM Surtax Spending	Shared w/Governor	Shared w/House	Unique SWM Spending v. House
Transportation	\$500.0	\$313.5	\$320.0	\$180.0
Early Education	\$80.0	\$40.0	\$25.0	\$55.0
K-12	\$110.0	\$10.0	\$0.0	\$110.0
Higher Education	\$310.0	\$268.0	\$104.0	\$206.0
Total	\$1,000.0	\$631.5	\$449.0	\$551.0

\$ in millions

Income Surtax Collection & Use Methodology

The SWM budget creates a process to collect, track, and spend income surtax revenues that adheres closely to the framework passed by the House and shares key elements with the Governor. All three budgets establish new trust fund structures to collect surtax revenues, direct the Department of Revenue to make quarterly deposits into the fund, and require the Comptroller to annually certify surtax collections.

Tracking Surtax Revenues

Proposal	Governor's Budget	House Budget	SWM Budget
New Trust Funds	1	3	3
Quarterly Payments into the Fund	Yes	Yes	Yes
Annual Certification of Fund Balance	Yes	Yes	Yes
New Budget Section (2F)	Yes	Yes	Yes
Line-Item Language Specifies One-Time vs. Recurring Costs	Yes	No	No
Exempt from 62F	Yes	Yes	Yes
Exempt from Capital Gains Stabilization Fund Transfer	Yes	Yes	Yes
Collections Above the Cap	Available for One-Time Use	15% to Stab Surtax Fund 85% to Innovation Fund	15% to Reserve Fund 85% to Innovation Fund

The House and Senate diverge from the Governor regarding the number of new trust funds created, the setting of an annual spending cap, and the use of income surtax revenues collected above the spending cap.

Governor Healey proposed establishing a permanent surtax spending cap by FY 2026, which would then be annually adjusted by inflation. The Senate proposes that between FY 2024 and FY 2026 administration and legislative leaders set the annual spending cap as part of the consensus revenue process. Starting in

FY 2027, the cap would be set at the prior year's limit, adjusted by the 10-year average growth rate of income surtax collections.

Like the House, the SWM budget creates three separate trust funds to collect and spend surtax revenues, though they differ slightly in name and allowable uses:

- **Education and Transportation Fund** – This fund will receive all surtax revenues certified by the Department of Revenue. Appropriations from the fund are subject to an annual spending cap, to be established in FY 2024 through FY 2026 during the consensus revenue process. Total surtax revenue collections into the fund will be certified annually by the Comptroller. Surtax collections above the spending cap will be diverted into two other trust funds: the Education and Transportation Reserve Fund and the Education and Transportation Innovation and Capital Fund.
- **Education and Transportation Reserve Fund** – This fund will receive 15 percent of all surtax revenue collections that exceed the annual spending limit, matching the House. The balance of the reserve fund cannot exceed 33 percent of the annual spending limit; any collections above 33 percent are to be diverted to the Education and Transportation Innovation and Capital Fund.
- **Education and Transportation Innovation and Capital Fund** – This fund will receive 85 percent of all surtax revenue collections that exceed the annual spending limit, matching the House. The SWM budget includes specific language directing resources in this fund to be used for one-time investments, including pay-go capital and other one-time projects related to quality public education and the repair and maintenance of roads, bridges, and public transportation.

The Senate concurs with the Governor and House in exempting surtax revenues from the calculation of excess state tax revenue under Chapter 62F of the Massachusetts General Laws and from the calculation of excess capital gains collections. As MTF has previously stated, there is no apparent policy justification for this exemption; all other forms of tax are included in the calculation.

Tax Reform Initiatives

Unlike the budget proposals put forward by the Governor and House, which reflected companion tax policy legislation, the SWM budget does not incorporate specific tax reforms. Instead, the SWM budget sets aside approximately \$575 million in revenues to cover the FY 2024 costs of an unreleased tax bill, which the Senate will likely roll-out in the coming weeks. Notably, \$575 million is higher than the first-year costs of the tax relief package passed by the Senate last session, which totaled \$502 million, but slightly below the FY 2024 cost of the House's tax plan, which is \$587 million.

Governor Healey's budget reflected the \$742 million first year cost of her \$1 billion tax relief bill, while the House budget reflects the FY 2024 costs of their own \$1.1 billion package. For further details on the tax policy reforms put forward by the Governor and House, see pages 8 – 10 of [MTF's summary of the HWM budget](#).

Tax Relief Proposals, FY 2024 Cost Comparison

	Governor Healey Proposal	House Proposal	Senate Proposal
Companion tax bill reflected in budget?	Yes	Yes	No
Annual Cost	\$986.50	\$1,089.00	TBD
FY 2024 Cost (Net to Budget)	\$741.50	\$587.00	\$575.00

\$ in millions

Tax Revenue Summary

After taking into account baseline tax revenues, income surtax revenue, and the \$575 million set aside for future tax policy reform, the SWM budget utilizes \$33.4 billion in total tax revenue to support spending. This figure is \$167 million more than the Governor and \$12 million more than the House budget.

FY 2024 Tax Revenue Summary

	Governor's Budget	House Budget	SWM Budget
Consensus Tax Revenues	\$40,410	\$40,410	\$40,410
<i>Workforce Training Trust Fund</i>	-\$27	-\$27	-\$27
<i>School Building Authority</i>	-\$1,304	-\$1,304	-\$1,304
<i>MBTA</i>	-\$1,464	-\$1,464	-\$1,464
<i>Pension Fund</i>	-\$4,105	-\$4,105	-\$4,105
<i>Capital Gains Transfer</i>	-\$583	-\$583	-\$583
CR Taxes Remaining for Budget	\$32,928	\$32,928	\$32,928
Income Surtax Revenues	\$1,000	\$1,000	\$1,000
<i>Education Investments</i>	\$510	\$500	\$500
<i>Transportation Investments</i>	\$490	\$500	\$500
Tax Policy Reforms	-\$742	-\$587	-\$575
<i>Child & Dependent Credit</i>	-\$458	-\$165	\$0
<i>Estate tax</i>	-\$167	-\$231	\$0
<i>Short-term capital gains</i>	\$0	\$0	\$0
<i>Rent deduction</i>	-\$40	-\$40	\$0
<i>Senior circuit breaker</i>	-\$60	-\$60	\$0
<i>Earned Income Tax Credit</i>	\$0	-\$91	\$0
<i>Other Tax Reforms</i>	-\$17	\$0	\$0
<i>Tax Reform Placeholder</i>	\$0	\$0	-\$575
Settlements and Judgements	\$50	\$50	\$50
Tax Revenues for Budget	\$33,236	\$33,391	\$33,403

\$ in millions

Non-Tax Revenues

The SWM budget relies on \$23.7 billion in non-tax revenue to support spending. This represents a \$26.9 million (0.1%) increase compared to the Governor’s budget, and a \$59.3 million (0.3%) decrease compared to the House budget.

Departmental & Federal Revenue

The most notable assumptions related to departmental and federal non-tax revenue sources in SWM’s FY 2024 budget include:

- **State Medicaid Reimbursements** (\$56 million more than Governor, \$16 million less than the House) – The SWM budget includes \$11.02 billion in enhanced federal Medicaid reimbursement. Like the Governor and House, SWM’s revenue assumptions related to MassHealth reflect the end of the federal Public Health Emergency (PHE); which has been delivering approximately \$250 million in additional revenue to the Commonwealth each quarter. As a result of the end of the PHE, the SWM budget assumes a loss of \$532.5 million in federal reimbursement for MassHealth spending compared to the FY 2023 budget. The \$56 million increase in revenue compared to the Governor is related to SWM increasing nursing home rates by \$112 million, adopting the same proposal as the House.
- **Gaming** (Level with the Governor and House budgets) – Non-tax gaming revenues in the SWM budget total \$240.3 million, level with the Governor and House budgets and \$58.9 million more than FY 2023. Through March, non-tax gaming revenue collections for FY 2023 are \$136.6 million, only \$3.4 million ahead of the same time period in FY 2022. The large increase in gaming revenues in the FY 2024 SWM budget is supported by approximately \$35 million in assumed revenues from sports wagering.
- **Marijuana** (Level with the Governor and House budgets) – In FY 2024, the SWM budget assumes that marijuana licensing and fee revenue will decline by \$1.9 million compared to the FY 2023 GAA. This assumption matches the Governor and House’s budgets, and reflects the subsidence of the initial wage of new marijuana retailers and dispensaries. Through March, marijuana licensing and fee revenue collections have decreased by \$4.2 million compared to collections during the same time period in FY 2022. In contrast, marijuana excise tax collections are increasing. The SWM budget assumes \$167.3 million in revenue generated by the marijuana excise tax, level with the Governor and House budgets.
- **Lottery** (\$2.7 million more than Governor and House budgets) – The SWM budget assumes that net profits from the Lottery will be \$1.2 billion in FY 2024, \$2.7 million higher than the Governor and House budget. Based on actual collection trends, this estimate appears conservative; however, State Treasurer Goldberg noted during the Consensus Revenue Hearing in January that revenues in FY 2023 have been bolstered by large jackpots, which are not a sustainable source of ongoing revenue.

One-Time vs. Ongoing Revenues

To support spending in FY 2024, the SWM budget notably relies on **\$437 million** in one-time revenues from two existing trust funds:

- *High-Quality Early Education and Care Affordability Fund* (\$245 million) – The SWM budget appropriates \$245 million from this \$490 million fund to support a portion of the full-year costs of the C3 Childcare Stabilization Grant program administered by the Department of Early Education and Care. The House did not tap these resources in its budget proposal; however, the Governor’s budget similarly proposed using \$150 million from the fund to support stabilization grants in FY 2024.
- *Behavioral Health Trust Fund* (\$192 million) – The Legislature created the Behavioral Health Trust Fund in 2021, as part of the first bill appropriating federal Fiscal Recovery Fund resources, to support the delivery of equitable, culturally competent and clinically appropriate behavioral health care. In FY 2024, SWM appropriates \$192 million from the \$198.7 million fund for a variety of programs related to strengthening the behavioral health workforce; including an existing student loan repayment assistance program, a program to provide stipends for unpaid clinical hours, and an initiative to help K-12 students transition back to the classroom after extended mental health-related absences.

Additional details on the spending supported by one-time resources are included in the relevant spending sections of the brief.

FY 2024 SWM Budget Spending

The FY 2024 SWM budget proposal includes \$55.4 billion in total line-item spending, a \$3.5 billion (6.7 percent) increase over the FY 2023 budget. This is also \$417 million more than the House budget, and \$586 million more than Governor Healey’s spending proposal.

Isolating MassHealth offers a more detailed look at overall spending trends. Funding for non-MassHealth accounts increases by \$3.05 million (9.4 percent) over FY 2023, while MassHealth spending increases by only \$449 million (2.3 percent). This is a reversal of pre-pandemic trends when MassHealth spending had been outpacing other policy areas.

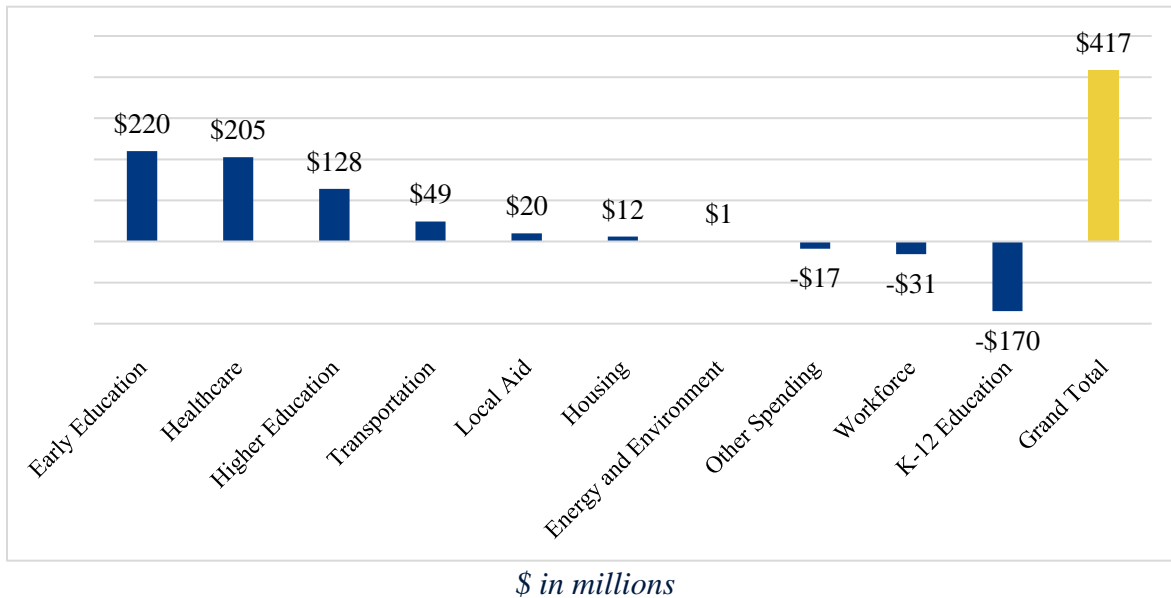
FY 2024 Senate Ways and Means Big Picture Spending

Category	SWM Budget	SWM v. FY 2023	SWM v. Governor	SWM v. House
MassHealth	\$19,928.89	\$449.13	\$112.00	-\$30.70
All Other Line-Items	\$35,435.15	\$3,046.20	\$474.79	\$447.65
Total Line-Item Spending	\$55,364.04	\$3,495.33	\$586.79	\$416.95

\$ in millions

The graph below illustrates SWM spending across major categories compared to the House budget, including spending supported by income surtax revenues. Spending increases and decreases in the SWM budget across the early education, K-12, and higher education sectors indicate the branches differing priorities in the use of income surtax revenues. Additionally, the \$417 million in total spending increases over the House reflects the use of trust fund resources tapped by SWM to support childcare stabilization grants and behavioral health initiatives.

FY 2024 SWM Spending by Category vs. House Budget



MassHealth & Health Care

In the SWM budget, 36 percent of all line-item spending – \$19.9 billion – is dedicated to MassHealth. This funding level is \$449 million greater than the original FY 2023 budget; however, \$1.8 billion less than current FY 2023 spending assumptions.

MassHealth costs in FY 2023 are anticipated to exceed the original budget estimate of \$19.5 billion by \$2.2 billion. This is due to an extension of the federal Public Health Emergency (PHE) and the requirement to maintain MassHealth enrollment; both of which extended past the assumptions used to build the FY 2023 budget.

FY 2024 MassHealth Spending & Federal Reimbursement

	FY 2023 Current	FY 2024 Governor	FY 2024 House	SWM Budget	\$ v. Current	\$ v. Gov	\$ v. House
Federal Reimbursement Share	\$12,609	\$10,968	\$11,040	\$11,024	-\$1,585	\$56.0	-\$16.1
% of Total Spending	58.1%	55.3%	55.3%	55.3%	\$0	\$0.0	\$0.0
State Share	\$9,108	\$8,849	\$8,920	\$8,905	-\$203	\$56.0	-\$14.6
Total Spending	\$21,717	\$19,817	\$19,960	\$19,929	-\$1,788	\$112	-\$30.7

\$ in millions

Due to the changing status of the PHE, during the FY 2022 and FY 2023 budget development processes, spending, enrollment, and revenue assumptions related to MassHealth changed dramatically between the release of the Governor’s budget and the proposals put forward by the House and Senate. In FY 2024, MassHealth spending proposed by the Legislature largely mirrors what was included in the administration’s spending plan. The House budget went further than the Governor to increase reimbursement rates for nursing facilities by \$112 million and the same proposal is included by SWM.

Outside of these investments, funding for MassHealth in FY 2024 can largely be understood as the state’s transition away from the PHE and its related policies: enhanced federal Medicaid reimbursement and the continuous coverage requirement. At the beginning of April, the state began its redetermination process, which they anticipate will result in the dis-enrollment of approximately 400,000 MassHealth members over the course of 12 months.

Under the SWM budget, the state’s share of MassHealth costs is \$8.9 billion, a decrease of \$203 million compared to current FY 2023 spending. This decrease in cost is attributable to program savings related to caseload declines and creative payment and cash management strategies to mitigate the loss of enhanced federal reimbursement. These savings are offset, in part, by the loss of enhanced federal revenue and approximately \$150 million in program initiatives to increase certain rates, bolster the behavioral health care workforce, and eliminate the asset test for the Medicare Savings Program.

FY 2024 MassHealth Spending with Offsets

FY 2024 MassHealth Assumptions	
FY 2023 State Share	\$9,108
FY 2024 State Share	\$8,905
Difference	-\$203
Spending Offsets	
Loss of Enhanced Fed. Reimbursement	(\$700)
Additional Investments	(\$152)
Supplemental Nursing Rates	(\$112)
Nursing Rates Fed. Reimbursement	\$56
Prepayment of FY 2024 Costs	\$700
Enrollment Declines in FY 2024	\$246
Cash Management Savings	\$215
Total	\$253

\$ in millions

Mental & Behavioral Health

The SWM budget includes \$1.36 billion for investments related to mental and behavioral health, including \$1.1 billion for programs overseen by the Department of Mental Health, \$192 million for a new Behavioral Health Workforce Supports account supported by trust fund resources, and \$20 million for a transfer to the Behavioral Health Outreach, Access and Support Trust Fund.

The Behavioral Health Workforce Supports account is supported by \$192 million in resources previously set aside in the Behavioral Health Trust Fund as part of the first federal Fiscal Recovery Fund appropriations bill and is informed by recommendations from the Behavioral Health Advisory Commission. The line-item allocates specific funding amounts for a variety of workforce programs, including:

- \$100 million for an existing student loan repayment assistance program for mental and behavioral health professionals;

- \$25 million for a scholarship program to support the recruitment and retention of a culturally and linguistically diverse mental and behavioral health workforce;
- \$25 million for stipends for unpaid clinical hours required for completing educational requirements or obtaining licensure;
- \$20 million to expand or establish new programs to assist behavioral health providers in training to achieve licensure;
- \$10 million for a new bridge program to assist K-12 students transition back to the classroom after extended absences related to mental health care; and
- \$1.8 million for a behavioral health workforce development center to recruit, retain, and develop a diverse field of providers, particularly in rural and underserved areas.

Municipal Finance

The SWM budget funds Unrestricted General Government Aid (UGGA) at \$1.27 billion, \$14.8 million (1.2 percent) higher than the Governor’s budget and \$19.7 million (1.6 percent) more than the House budget.

In FY 2024, SWM doubles funding for UGGA compared to the House budget; following the same methodology used by the Senate in FY 2023 to double the consensus tax revenue growth rate. This proposal directs \$39.4 million more towards local aid for cities and towns compared to the FY 2023 budget. The House budget continued the past practice of increasing funding for local aid by the same rate as consensus tax revenue, resulting in a smaller 1.6 percent increase.

The SWM budget also funds PILOT – payment in lieu of taxes for state-owned land – at \$51.5 million, a \$6.5 million (14.4 percent) increase over FY 2023 and level with the Governor and House budgets.

FY 2024 SWM UGGA and PILOT Funding

Program	FY 2023 GAA	FY 2024 Governor	House Final	SWM Budget	SWM v. House
UGGA	\$1,231.20	\$1,255.82	\$1,250.90	\$1,270.60	\$19.70
<i>\$ Increase v. Prior Year</i>	\$63.1	\$24.6	\$19.7	\$39.4	
<i>% Increase v. Prior Year</i>	5.4%	2.0%	1.6%	3.2%	
PILOT	\$45.00	\$51.47	\$51.47	\$51.47	\$0.00
<i>\$ Increase v. Prior Year</i>	\$10.0	\$6.5	\$6.5	\$6.5	
<i>% Increase v. Prior Year</i>	28.6%	14.4%	14.4%	14.4%	

\$ in millions

Education

Early Education

The FY 2024 SWM budget provides approximately **\$1.5 billion** in funding for early education and care programs, an increase of roughly **\$220 million** compared to the House budget and an increase of **\$331 million** over the enacted FY 2023 budget.

C3 Stabilization Grants

SWM fully funds C3 grants in FY 2024 at \$475 million. SWM does not use surtax revenues for C3 and instead funds the program using resources from both the general fund (\$230 million) and the High-Quality Early Education & Care Affordability Fund (\$245 million). The SWM budget does not legalize online lottery, which the House relied on to supplement C3 spending.

While SWM does not include a House section requiring a report to be filed this fall on the impact of C3 grants on educational equity and school readiness, it does include new reporting requirements for the C3 program, including collecting data on grant expenditures and demographics of the families and children being served by participating providers.

Other Notable Investments

- **Subsidy Programs (\$774M)** – The SWM budget invests roughly \$60 million more in subsidies than the House proposal. Similar to the Governor, SWM annualizes the FY 2023 rate increases across the two subsidy accounts for a total increase in subsidies of \$80 million over the previous fiscal year.
- **Reimbursement Rates (\$20M)** – The SWM budget matches the governor’s \$20 million investment for rate increases for both center-based and family child care providers. SWM also allows the EEC to use up to \$25 million in any unexpended FY 2023 subsidy funds for center-based rate increases in FY 2024, making the total potential investment \$45 million.
- **Provider Capital Grants to Expand Supply (\$25M)** – The SWM budget invests \$25 million in surtax revenues for a new grant program to help expand child care supply. The program prioritizes providers who serve a high percentage of families utilizing subsidies and denotes that grant awards shall aim to support equitable geographic access and align child care availability with workforce needs.
- **Child Care Financial Assistance for Educators (\$15M)** – SWM invests \$15 million in surtax revenues for a program that provides financial assistance to early educators. This is a \$5 million increase over the House budget, which included a \$10 million earmark for the program within a rate reserve line item.
- **Commonwealth Preschool Partnership Initiative (CPPI) (\$30M)** – SWM follows the Governor’s budget proposal and uses \$15 million in surtax revenues to double investments in CPPI compared to FY 2023.
- **Waitlist Remediation (\$25M)** – SWM’s proposal mirrors investments proposed by both the Governor and the House by dedicating \$25 million for income eligible waitlist remediation using surtax revenues.

FY 2024 SWM Early Education and Care Spending

Program	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	\$ vs. Governor	\$ vs. House
Administration	\$56.75	\$58.30	\$58.64	\$58.30	\$0.00	-\$0.35
Child Care Stabilization Grants (C3)	\$250.00	\$375.00	\$250.00	\$475.00	\$100.00	\$225.00
Reimbursement Rate Reserve	\$60.00	\$20.00	\$100.00	\$20.00	\$0.00	-\$80.00
Child Care Resource & Referral Centers	\$15.00	\$20.00	\$20.00	\$20.00	\$0.00	\$0.00
Subsidized Child Care	\$693.65	\$773.65	\$713.78	\$773.78	\$0.13	\$60.00
<i>DCF and DTA Related Child Care</i>	<i>\$325.54</i>	<i>\$355.66</i>	<i>\$328.20</i>	<i>\$355.78</i>	<i>\$0.13</i>	<i>\$27.59</i>
<i>Income-Eligible Child Care</i>	<i>\$368.11</i>	<i>\$417.99</i>	<i>\$385.58</i>	<i>\$417.99</i>	<i>\$0.00</i>	<i>\$32.41</i>
Program Supports & Expansion	\$45.00	\$45.00	\$47.50	\$47.50	\$2.50	\$0.00
<i>Commonwealth Preschool Partnership</i>	<i>\$15.00</i>	<i>\$15.00</i>	<i>\$15.00</i>	<i>\$15.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
Income Surtax Spending	\$0.00	\$140.00	\$65.00	\$80.00	-\$60.00	\$15.00
<i>Child Care Stabilization Grants, "C3"</i>	<i>\$0.00</i>	<i>\$100.00</i>	<i>\$40.00</i>	<i>\$0.00</i>	<i>-\$100.00</i>	<i>-\$40.00</i>
<i>Income Eligible Waitlist</i>	<i>\$0.00</i>	<i>\$25.00</i>	<i>\$25.00</i>	<i>\$25.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
<i>CPPI Pre-K Initiative</i>	<i>\$0.00</i>	<i>\$15.00</i>	<i>\$0.00</i>	<i>\$15.00</i>	<i>\$0.00</i>	<i>\$15.00</i>
<i>EEC Provider Capital Grants</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$25.00</i>	<i>\$25.00</i>	<i>\$25.00</i>
<i>EEC Workforce Financial Assistance</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$15.00</i>	<i>\$15.00</i>	<i>\$15.00</i>
Other Early Education	\$63.30	\$44.77	\$39.62	\$39.77	-\$5.00	\$0.15
Total Funding	\$1,183.70	\$1,476.71	\$1,294.53	\$1,514.34	\$37.63	\$219.80

\$ in millions

K-12 Education

Chapter 70 Aid

The SWM budget funds Chapter 70 aid for public schools at \$6.6 billion, a \$594 million (9.9 percent) increase over FY 2023. The Governor, House, and Senate all propose fully funding the third year of implementation of the Student Opportunity Act; providing the largest ever year-over-year increase in state aid for public school districts. The SWM budget also increases funding for minimum aid to \$60 per pupil.

FY 2024 SWM Chapter 70 Funding

Program	FY 2023 GAA	FY 2024 Governor	House Final	SWM Budget	SWM v. House
Chapter 70 State Aid	\$5,988.52	\$6,584.60	\$6,584.31	\$6,592.18	\$7.86
<i>Minimum Aid Supplement</i>	\$9.69	\$0.00	\$7.86	\$0.00	-\$7.86
Total State Aid	\$5,998.21	\$6,584.60	\$6,592.18	\$6,592.18	\$0.00
<i>\$ Increase v. Prior Year</i>	<i>\$494.94</i>	<i>\$586.39</i>	<i>\$593.97</i>	<i>\$593.97</i>	
<i>% Increase v. Prior Year</i>	<i>9.0%</i>	<i>9.8%</i>	<i>9.9%</i>	<i>9.9%</i>	
SOA Implementation Schedule	Year 2	Year 3	Year 3	Year 3	

\$ in millions

Unlike the House, the Senate does not fund the minimum aid increase through a supplementary line item. The increase is included entirely within the main Chapter 70 budget account, an approach that alleviates any potential confusion regarding how base aid within the foundation budget formula is determined in the following year.

As [MTF has previously reported](#), over the first three years of Student Opportunity Act implementation, the statewide foundation budget has increased by \$2.3 billion, resulting in a \$1.3 billion (25 percent) increase in state aid and an \$861 million (13 percent) increase in local contributions from cities and towns. To provide relief for municipalities facing large increases in their required local contributions, Governor Healey proposed a \$10 million reserve account. Neither the House nor SWM included a similar reserve in their budget proposals. However, increasing minimum per pupil aid is an effective way to direct additional state aid towards districts experiencing increases in required local contributions.

Education Reimbursement Programs

The SWM budget includes a total of \$865.1 million for other major education reimbursement programs; including Charter Tuition Reimbursement, Special Education Circuit Breaker, and Student Transportation Reimbursement.

FY 2024 SWM K-12 Education Reimbursement Programs

Program	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	SWM Est. Reimb.
SPED Circuit Breaker	\$441.0	\$503.8	\$506.1	\$503.8	75.0%
Charter Tuition Reimbursement	\$243.8	\$243.8	\$232.7	\$230.3	101.1%
Regional School Transportation	\$82.2	\$97.1	\$107.9	\$97.1	90.0%
Non-Resident Vocational Transportation	\$0.3	\$5.2	\$0.0	\$5.2	90.0%
Homeless Student Transportation	\$23.0	\$28.7	\$28.7	\$28.7	100.0%
Total Education Reimbursement	\$790.2	\$878.6	\$875.3	\$865.1	

\$ in millions

In FY 2024, SWM funds the Special Education Circuit Breaker program at \$503.8 million, level with the Governor’s budget and \$2.3 million less than the House. To provide relief to districts facing increased special education costs in FY 2024 related to inflation and workforce expenses at private special education schools, the SWM budget includes \$20 million within the circuit breaker program for extraordinary relief payments, matching both the Governor and House. Unlike the House, SWM does not include increases for two programs funded within the circuit breaker account, Best Buddies Massachusetts and the voluntary residential placement prevention program at the Department of Development Services.

Funding for Charter Tuition Reimbursement is included in the SWM budget at \$230.3 million, providing school districts with 100 percent reimbursement as required by the Student Opportunity Act. The apparent reduction in funding for charter reimbursement compared to the Governor’s budget reflects updated charter enrollment estimates provided by the department. The SWM budget also allows for up to \$10 million in unspent funds from FY 2023 to be carried forward into FY 2024 and increases the per pupil facilities aid rate for charter schools by \$50 to \$1,138. During debate, the House adopted an amendment to increase the rate by \$100. The per pupil facilities aid rate directs additional funding to charter schools

for capital costs and building maintenance. Sending school districts pay this per pupil rate as part of their total charter tuition and are then fully reimbursed by the state.

Student transportation reimbursement is funded in the SWM budget at a total of \$130.9 million, including \$97.1 million for Regional School Transportation (90 percent reimbursement), \$5.2 million for Non-Resident Vocational School Transportation (90 percent reimbursement), and \$28.7 million for Homeless Student Transportation (100 percent reimbursement).

K-12 Education Surtax Spending

The SWM budget dedicates \$110 million in income surtax revenue towards investments in K-12 education, representing 11 percent of all surtax supported spending.

- **Early College & Innovation Pathways** (\$10 million) – SWM directs \$10 million in income surtax revenue towards the expansion of early college, workforce, technical and innovation pathway programs. Originally proposed in the Governor’s budget, but excluded by the House, this funding would allow for the further development of early college and innovation pathways programs across the state.
- **MSBA Capital Supports** (\$100 million) – The SWM budget proposes the use of \$100 million in surtax revenues to support a new grant program under the Massachusetts School Building Authority. The program is intended to direct additional aid to municipalities and school districts engaged in the MSBA’s capital project pipeline and facing unanticipated cost increases. The grant program is limited to approximately 30 school building projects that received project scope and funding agreement approval from the MSBA board prior to October 1, 2022.

Other K-12 Education Programs

SWM funds Rural School Aid at \$15 million in FY 2024, a \$9.5 million (173 percent) increase over FY 2023 and \$5 million (50 percent) above the House. The SWM budget appears to maintain the same prioritization methodology for rural school aid in FY 2024, allocating aid based on student density: (1) districts that serve no more than 11 students per square mile; (2) districts that serve between 11 and 21 students per square mile; and (3) districts that serve between 21 and 35 students per square mile.

Notably, the SWM budget does not include funding for Universal School Meals in FY 2024. Governor Healey also excluded the program from her FY 2024 budget filing, choosing instead to include it in a supplemental budget proposal. The House budget included the full year costs of program in its budget, funded at \$161 million.

Higher Education

Public higher education is funded in the SWM budget at a total of **\$1.9 billion**, including spending supported by income surtax revenues. This represents a \$55.6 million (2.8 percent) decrease compared to the Governor’s budget, and a \$127.9 million (7.1 percent) increase over the House.

SWM dedicates **\$310 million** in surtax revenues towards higher education initiatives, including \$185 million for scholarship programs and student services and \$125 million for higher education capital costs.

FY 2024 SWM Higher Education Spending

Category	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	\$ vs. Governor	\$ vs. House
Community Colleges	\$338.06	\$347.82	\$347.96	\$348.31	\$0.49	\$0.35
State Universities	\$327.75	\$337.42	\$337.22	\$338.35	\$0.93	\$1.13
University of Massachusetts	\$672.98	\$689.90	\$695.20	\$687.19	-\$2.71	-\$8.01
Scholarship Programs	\$199.93	\$201.93	\$199.93	\$197.93	-\$4.00	-\$2.00
Other Higher Education	\$73.53	\$46.31	\$45.54	\$45.96	-\$0.35	\$0.42
Income Surtax Spending	\$0.00	\$360.00	\$174.00	\$310.00	-\$50.00	\$136.00
Total Funding	\$1,612.25	\$1,983.38	\$1,799.85	\$1,927.73	-\$55.65	\$127.89

\$ in millions

Public Higher Education Campuses

Direct support for the University of Massachusetts, State Universities, and Community Colleges is funded in the SWM budget at **\$1.4 billion**. SWM dedicates \$1.4 million more towards public higher education campuses than the Governor, and \$3.5 million less than the House. Funding increases for state universities range from 1.8 – 4.5 percent, and increases for community colleges range from 2.1 – 4.5 percent over FY 2023.

The University of Massachusetts is funded in the SWM budget at \$683.4 million, level with the Governor and \$5 million less than the House. SWM also includes \$4 million within this funding level for student behavioral health services across the five UMass campuses.

In FY 2024, the SWM budget dedicates \$125 million in surtax revenue to address the backlog of deferred maintenance projects on public higher education campuses. The Governor similarly included \$140 million for campus capital needs; however, the SWM budget is more explicit in describing the types of projects that may be covered. These include HVAC system maintenance, ADA compliance initiatives, and clean energy projects.

Scholarship Programs & Student Support Services

The SWM budget includes **\$382.9 million** in funding related to scholarship programs and student support services, including \$185 million in surtax spending. Specific scholarship investments included in the SWM spending plan include:

- **Financial Aid Expansion** (\$100 million) – SWM dedicates \$100 million in surtax spending towards financial aid expansion to increase funding for the MASSGrant Plus program. First included in the Governor’s budget at \$93 million, this account was also funded by the House at \$84 million. MASSGrant Plus provides need-based financial aid to Massachusetts residents attending a public higher education institution.
- **MassReconnect** (\$20 million) – SWM follows the lead of the Governor and House to provide \$20 million for the MassReconnect program, supported by surtax revenues. MassReconnect is Governor Healey’s proposal to provide cost-free community college to Massachusetts residents ages 25 and older that have not earned a college credential or degree.

- **Gilbert Grant** (\$22 million) – The Gilbert Grant scholarship program provides financial assistance to Massachusetts residents enrolled in eligible institutions of higher education and schools of nursing. The program is not available for students at public higher education institutions, and is funded in the SWM budget at \$22 million; level with the House budget.
- **Early Educator Scholarships** (\$5 million) – The SWM budget includes \$5 million for early educator scholarships through the state’s main scholarship reserve, increasing funding for the program by \$1.4 million over the House.

SWM also funds two new initiatives using income surtax revenues related to the implementation and piloting of a free community college system:

- **Free Community College Implementation Supports** (\$15 million) – To support system-wide infrastructure improvements and capacity building efforts for the implementation of a free community college program by calendar year 2024. Of this investment, \$1 million is dedicated to the Massachusetts Association of Community Colleges to develop comprehensive free community college guidelines and regulations and \$4 million is targeted towards the Department of Higher Education to establish the Office of Higher Education Success and Completion. Additional funding in the line-item would be distributed to community college campuses.
- **Free Community College for Nursing Programs** (\$20 million) – To cover the remaining costs of tuition and fees for students enrolled in nursing programs at community colleges across the Commonwealth. Funds in this item may also be used to support the recruitment and retention of qualified nursing professionals to teach in nursing programs at community colleges.

Lastly, the SWM budget includes Governor Healey’s proposal to dedicate \$30 million in income surtax revenues for grants to the University of Massachusetts, state universities, and community colleges. This program was not included in the House budget and would distribute funds to higher education campuses based on the share of Pell-Grant eligible students enrolled.

Workforce & Career Readiness

The SWM budget includes **\$197.9 million** for 40 workforce and career readiness programs across six state agencies. This funding level reflects a decrease of \$16.3 million (8 percent) over the FY 2023 GAA and a \$12.1 million (7 percent) increase over the Governor’s proposed budget. The SWM funding level also reflects a \$31.1 million (13 percent) decrease compared to the House budget. Six line-items represent \$145.2 million (73 percent) of all funding for workforce-related programs in the SWM budget.

The SWM proposal includes a targeted approach to addressing workforce shortages in critical sectors. Unlike the other budget proposals, SWM includes specific earmarks for programs that aim to increase talent pipelines and career pathways by creating public-private partnerships.

FY 2024 SWM Workforce Spending

Category	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	\$ vs. Governor	\$ vs. House
Economic Development	\$31.40	\$24.18	\$23.20	\$25.68	\$1.50	\$2.47
<i>Massachusetts Cybersecurity Innovation Fund</i>	\$2.45	\$0.95	\$0.00	\$2.45	\$1.50	\$2.45
Higher Education	\$1.45	\$1.45	\$1.45	\$1.45	\$0.00	\$0.00
Labor and Workforce	\$92.13	\$68.46	\$102.72	\$77.10	\$8.64	-\$25.62
<i>MassHire Career Centers</i>	\$15.00	\$5.96	\$15.05	\$5.96	\$0.00	-\$9.09
<i>Registered Apprenticeship Expansion</i>	\$1.00	\$4.98	\$4.98	\$2.82	-\$2.16	-\$2.16
<i>Summer Jobs Program for At-Risk Youth</i>	\$28.48	\$16.24	\$31.10	\$16.24	\$0.00	-\$14.86
<i>Transfer to Workforce Competitiveness Trust Fund</i>	\$17.00	\$10.00	\$17.00	\$20.00	\$10.00	\$3.00
Veterans	\$0.28	\$0.28	\$0.28	\$0.28	\$0.00	\$0.00
Health & Human Services	\$2.00	\$1.00	\$1.00	\$1.50	\$0.50	\$0.50
<i>Nursing and Allied Health Workforce Development</i>	\$1.00	\$1.00	\$1.00	\$1.50	\$0.50	\$0.50
K-12 Education	\$86.98	\$90.38	\$100.35	\$91.88	\$1.51	-\$8.47
<i>Adult Basic Education</i>	\$60.00	\$60.00	\$65.33	\$60.00	\$0.00	-\$5.33
<i>Early College Programs</i>	\$10.00	\$13.00	\$15.15	\$15.00	\$2.00	-\$0.15
Total Funding	\$214.24	\$185.74	\$229.00	\$197.89	\$12.14	-\$31.12

\$ in millions

Notable workforce investments in the SWM budget proposal include:

- **Nursing and Allied Health Workforce Development** (\$1.5 million) – The SWM budget increases funding for this program by \$500K over the FY 2023 GAA, Governor, and House’s budgets. The additional funding will support new incentives for hospitals to partner with public higher education institutions to strengthen the nursing and allied health workforce pipeline. Participating hospitals will be encouraged to offer clinical partnerships and have health care staff teach courses in related programs.
- **Workforce Competitiveness Trust Fund (WCTF)** (\$20 million) – Funding for the WCTF is increased by \$3 million over the FY 2023 GAA and House funding level. The WCTF supports various competitive grant programs for skill training opportunities.
- **Massachusetts Cybersecurity Innovation Fund** (\$2.5 million) – SWM increases funding for the cybersecurity innovation fund by \$1.5 million over the Governor; this account was excluded from the House budget. This funding supports partnerships between public higher education institutions and regional security operations centers to offer cybersecurity services to municipalities, small businesses, and non-profits while also helping to build the cybersecurity workforce pipeline.
- **MassHire Career Centers** (\$6 million) – Funding for the MassHire Career Centers is level with the Governor’s budget, and \$9 million less than the FY 2023 GAA and House budget. This account

supports the state’s network of 26 one stop career centers that connect residents with training and employment opportunities.

- **Summer Jobs for At-Risk Youth** (\$16.2 million) – Level funded with the Governor’s budget, funding for Summer Jobs for At-Risk Youth in the SWM is \$14.9 million below the House budget. The SWM budget also restores language that directs the Commonwealth Corporation to continue connections between this program and the school-to-connecting activities program. This funding supports year-round youth employment and wrap around service programs.

Transportation

The SWM budget includes **\$1.32 billion** for transportation-related spending in FY 2024, a \$7.2 million (0.5 percent) increase over the Governor, and \$48.9 million (3.8 percent) more than the House. This funding level does not include the \$1.5 billion pre-budget transfer to the MBTA of sales tax revenue.

SWM dedicates **\$500 million** of new income surtax revenue towards transportation initiatives across MassDOT, the MBTA, regional transit systems, and local pilot programs.

FY 2024 SWM Transportation Spending

Category of Spending	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	\$ vs. Governor	\$ vs. House
Transfer to RTAs	\$96.50	\$96.82	\$94.00	\$94.00	-\$2.82	\$0.00
Transfer to MassDOT	\$457.11	\$528.87	\$479.90	\$528.87	\$0.00	\$48.97
Transfer to MBTA	\$187.05	\$187.00	\$187.00	\$187.00	\$0.00	\$0.00
Other Transportation	\$277.87	\$11.67	\$11.67	\$11.67	\$0.00	\$0.00
Income Surtax Spending	\$0.00	\$490.00	\$500.00	\$500.00	\$10.00	\$0.00
Total Funding	\$1,018.53	\$1,314.36	\$1,272.57	\$1,321.54	\$7.18	\$48.97

\$ in millions

MassDOT

The Massachusetts Department of Transportation is funded at \$528.9 million in the SWM budget, level with the Governor’s budget and \$48.9 million (3.8 percent) more than the House. Compared to the House budget, SWM is likely fully funding expected costs related to snow and ice removal in FY 2024.

In FY 2024, SWM recommends the use of \$100 million in income surtax revenues for two transportation related programs under MassDOT, including:

- **Federal Matching Funds** (\$50 million) – For a reserve to provide matching funds for state or municipal transportation projects eligible for federal grants. Included in the Governor’s budget proposal at \$50 million; the SWM budget includes reporting requirements regarding the distribution of grants from the reserve.
- **Highway Bridge Preservation** (\$50 million) – For the construction, preservation, and repair of highway bridges. Funded by the Governor and House at \$100 million.

MBTA

In addition to the \$1.5 billion transfer of sales tax revenues, the SWM budget includes a transfer of \$187 million from the Commonwealth Transportation Fund and \$195 million in surtax investments for the MBTA.

Surtax spending for the MBTA in the SWM budget includes:

- **MBTA Capital Improvements** (\$190 million) – To support improvements to the MBTA’s physical infrastructure, the SWM budget requires that 50 percent of the funds in this account be used to support improvements for the commuter rail system and 50 percent be dedicated towards the subway system. The House included \$250 million for MBTA capital improvements, but earmarked the entirety of the funds for bridge repair, station accessibility improvements, signal improvements, and the red-blue connector project.
- **Means-Tested Fare Pilot Program** (\$5 million) – For the costs associated with studying the feasibility of implementing a means-tested fare program; level funded with the Governor and House.

Regional Transit Authorities

Regional Transit Authorities are funded at a total of **\$194 million** in the SWM budget, including \$100 million investment of surtax revenues in regional transit systems. Of this total, SWM proposes distributing \$150 million to RTAs for operation enhancements and improvements:

- \$90.5 million for base aid;
- \$3.5 million for performance grants; and
- \$56 million to support expanded service hours, weekend services and route expansions.

The remaining balance of \$44 million for RTAs is explicitly earmarked for various grant and pilot programs:

- \$15 million for fare-free pilot programs to be administered by local RTAs;
- \$25 million for an innovation grant program to support fleet electrification, capital improvements, innovative service delivery models, rural connectivity, and expanded service hours; and
- \$4 million for RTAs to expand mobility options for older adults, people with disabilities, and low-income individuals.

Local Road Repair & Pilot Projects

The SWM budget also includes **\$105 million** in surtax spending initiatives related to municipal road repair (\$100 million) and a pilot program for ferry services (\$5 million). Funding for ferry services was also included by the Governor and House.

Housing

The SWM budget includes a total investment of **\$1.06 billion** for 30 housing-related programs. This reflects an increase of \$174.5 million (19 percent) over FY 2023 funding levels and an increase of \$67.1 million (7 percent) compared to the Governor’s budget. Additionally, the SWM budget funding levels reflect a \$12.2 million (1 percent) increase when compared to the final House budget.

The SWM proposal directs the most significant increases to Emergency Assistance Family Shelters and Services, representing \$104.6 million in additional funding over FY 2023. This increase, consistent with previous FY 2024 spending plans reflects the sharp increase in demand on the state’s shelter system over the past year.

FY 2024 SWM Housing Investments

Category of Program	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	\$ vs. Governor	\$ vs. House
Counseling & Education Services	\$9.70	\$8.77	\$9.70	\$8.97	\$0.20	-\$0.73
Housing Financial Assistance	\$333.03	\$359.01	\$380.51	\$410.51	\$51.50	\$30.00
<i>Accessible Affordable Housing Grants</i>	\$2.50	\$0.00	\$0.00	\$2.50	\$2.50	\$2.50
<i>Alternative Housing Voucher Program</i>	\$13.69	\$14.11	\$14.11	\$16.86	\$2.75	\$2.75
<i>Massachusetts Rental Voucher Program</i>	\$154.30	\$168.25	\$173.25	\$179.60	\$11.35	\$6.35
<i>Rental Subsidy Program for DMH Clients</i>	\$12.55	\$12.55	\$12.55	\$16.55	\$4.00	\$4.00
<i>Residential Assistance for Families in Transition</i>	\$150.00	\$162.60	\$180.60	\$195.00	\$32.40	\$14.40
Housing Stabilization & Homelessness Prevention	\$421.56	\$513.54	\$519.13	\$514.76	\$1.23	-\$4.37
<i>Emergency Assistance Family Shelters and Services</i>	\$219.44	\$324.05	\$324.45	\$324.05	\$0.00	-\$0.40
<i>Home and Healthy for Good Program</i>	\$6.39	\$4.16	\$8.89	\$6.39	\$2.23	-\$2.50
<i>HomeBASE</i>	\$59.41	\$42.07	\$42.07	\$39.57	-\$2.50	-\$2.50
<i>Homeless Individual Shelters</i>	\$110.00	\$110.75	\$110.82	\$110.75	\$0.00	-\$0.06
Public Housing	\$93.00	\$94.20	\$104.25	\$108.25	\$14.05	\$4.00
Other Housing	\$27.20	\$16.41	\$33.24	\$16.51	\$0.10	-\$16.73
Grand Total	\$884.49	\$991.92	\$1,046.82	\$1,059.00	\$67.08	\$12.18

\$ in millions

Notable housing investments in the SWM budget proposal include:

- **Massachusetts Rental Voucher Program** (\$179.6 million) – Funding is increased by \$25.3 million over the FY 2023 GAA, \$11.35 million over the Governor, and \$6.4 million over the House funding levels. SWM proposes raising the fair market rate to 110%, up from the current 100% rate. The SWM budget also uses approximately \$20 million in unexpended FY 2023 MRVP resources to further boost the amount available in FY 2024.
- **Residential Assistance for Families in Transition** (\$195 million) – Funding is increased by \$45 million over the FY 2023 GAA, \$32.4 million over the Governor, and \$14.4 million over the House funding levels. The Senate caps the amount of financial assistance a family can access in one year at \$7,000; this is level with the House budget and more generous than the Governor’s proposal of \$7,000 over a 24-month period. The proposal also mirrors the House budget by including \$3

million to assist households of all sizes, and states that the criteria used for determining emergency housing assistance also be used when determining RAFT eligibility.

- **Emergency Assistance Family Shelters and Services** (\$324.1 million) – Funding is increased by \$104.6 million over the FY 2023 GAA funding level. Funding is essentially level with both the House and Governor’s budget.
- **HomeBASE** (\$39.6 million) – Funding is decreased by \$19.8 million over the FY 2023 funding level and by \$2.5 million over both the Governor and House funding levels. SWM proposes reserving \$10 million for administering agencies to use funds for circumstances in which a recipient has exceeded the \$20,000 in the 24-month benefit period, which is consistent with the Governor’s proposal.
- **Subsidies to Public Housing** (\$107 million) – Funding is increased by \$15 million over FY 2023 GAA and the Governor’s funding levels. Funding is also increased by approximately \$5 million over the House funding level. SWM removes language included in the Governor’s proposal that restricts funds to be used for employee compensation.

The SWM follows the HWM budget proposal by including a policy section to delay evictions while an Emergency Rental Assistance application is being processed.

Climate, Energy & Environment

In FY 2024, SWM funds the Executive Office of Energy and Environmental Affairs (EEOEA) and its departments at \$533.9 million; a \$95.3 million (22 percent) increase over FY 2023, \$9.7 million (1.8 percent) less than the Governor, and \$1.3 million (0.2 percent) higher than the House. Under the SWM budget, funding for EEOEA represents 1.0 percent of total line-item spending.

Notable investments across the secretariat include:

Executive Office of Energy and Environmental Affairs

- **Mass Clean Energy Center** (\$25 million) – SWM includes \$25 million for a transfer to the Massachusetts Clean Energy Investment Fund, \$10 million less than the Governor. The House includes \$25 million in the same budget account, however \$20 million is transferred to the Massachusetts Offshore Wind Industry Investment Fund. In the SWM budget, the entirety of this funding is intended to support clean energy workforce development initiatives and investments to support emissions reductions in the building, energy, and transportation fields.
- **Food Security Infrastructure Grant Program** (\$25 million) – The SWM budget follows the lead of the Governor and House to fund good security infrastructure grants through the state’s operating budget.

Department of Agricultural Resources

- **Emergency Food Assistance** (\$35 million) – SWM increases funding for Emergency Food Assistance (also known as MEFAP) by \$4.4 million over the FY 2023 budget, \$3.3 million over the Governor’s budget, and \$2.9 million over the House budget. Funding for emergency food assistance supports a statewide network of food providers, overseen by four regional food banks across the Commonwealth.

FY 2024 SWM Funding for Climate, Energy & Environment

Department	FY 2023 GAA	FY 2024 Governor	FY 2024 House	SWM Budget	\$ vs. Governor	\$ vs. House
Executive Office of Energy and Environmental Affairs	\$118.90	\$197.77	\$185.67	\$185.62	-\$12.15	-\$0.04
Dept. of Agricultural Resources	\$43.71	\$43.82	\$45.31	\$47.82	\$4.00	\$2.51
Dept. of Conservation and Recreation	\$134.03	\$149.95	\$153.77	\$148.73	-\$1.22	-\$5.04
Dept. of Energy Resources	\$5.35	\$7.04	\$6.66	\$5.46	-\$1.59	-\$1.20
Dept. of Environmental Protection	\$77.23	\$83.59	\$79.28	\$83.50	-\$0.09	\$4.22
Dept. of Fish and Game	\$38.27	\$38.56	\$38.80	\$40.02	\$1.47	\$1.22
Dept. of Public Utilities	\$21.07	\$22.84	\$23.12	\$22.75	-\$0.09	-\$0.37
Grand Total	\$438.56	\$543.56	\$532.60	\$533.90	-\$9.66	\$1.30

\$ in millions

FY 2024 SWM Budget Policy Sections

The SWM budget includes 57 outside sections, 18 fewer than the 75 included in last year’s version of the proposal.

Comparison of Budget Sections

FY 2024 SWM	FY 2024 Governor	FY 2024 HWM	FY 2023 SWM	FY 2023 Senate Final
57	29	47	75	186

The SWM budget, like HWM has more of a policy focus than Governor Healey’s inaugural budget, which included just 29 sections. Also like the House, SWM incorporates several of the major policy proposals that were put forward by the Healey administration. Notable policy sections include:

Surtax

Surtax Mechanics (sections 9 through 13) – As outlined earlier in the brief, the SWM budget largely mirrors the House approach to collecting and organizing surtax revenues. SWM:

- Creates three trust funds for surtax revenues.
 - All revenues will initially be deposited into the Education and Transportation Trust Fund. Each year, any surtax collections over a spending cap will be transferred to the Education and Transportation Reserve Fund (15 percent) and the Education and Transportation Innovation and Capital Fund (85 percent). This flow of funds is identical to the House proposal.

- Expenditures in the Innovation and Capital Fund are limited to pay-go capital and one-time investments. Resources in the Reserve Fund can be used during a fiscal year to offset unexpected drops in revenue.
- The balance of the Reserve Fund is capped at 33 percent of the annual spending limit.
- Establishes a process for determining annual surtax spending.
 - From FY 2024 to FY 2026, the annual spending cap will be established as part of the consensus revenue process.
 - Starting in FY 2027, the spending cap will be the prior year limit, adjusted by a 10 year average of income surtax revenue growth.
- Exempts surtax revenue from 62F tax rebates and from the calculation of capital gains revenue dedicated to the Stabilization Fund and other reserves.

Surtax Implementation (sections 16 and 17) – The SWM budget includes two surtax implementation sections proposed by Governor Healey and also included in the House budget. The sections:

- Incorporate the surtax into the law governing the income tax (MGL 62:4). The language states that the tax shall apply to Part A, B and C of taxable income and that losses in one part of income cannot be used to reduce income from another part.
- Incorporate the surtax into the law governing the taxation of income earned in Massachusetts by non-residents (MGL 62:5A).

Public Finance

Capital Gains Transfer (section 49) – The SWM budget proposes changing the distribution of excess capital gains revenues. Currently, 90 percent of capital gains collections above an annual threshold (\$1.48 billion in FY 2024) are dedicated to the Stabilization Fund, with 10 percent split between the state’s State Retiree Benefits Trust Fund and Pension Fund. The SWM budget limits the Stabilization Fund transfer to 60 percent, while the other funds’ share would increase to 20 percent each.

Health Care

Preventative Services Coverage (sections 15, 29-32, 36) – The SWM budget includes a number of sections which codify the current practice requiring insurance coverage for Federally-defined preventative health services. Coverage for these services was previously guaranteed under the Affordable Care Act, but that requirement was affected by a recent court decision. The House adopted similar sections as an amendment.

Supplemental Drug Rebates (section 20) – The SWM budget includes a section, also included in the Governor’s budget, expanding the EOHHS’ authority to negotiate rebate agreements for pharmaceuticals and medical devices. This section has been included by the Senate for the last several years, but has not been included in the final budget.

Nursing Faculty (section 53) – The SWM budget directs the state’s Board of Registration in Nursing, to allow nurses without advanced degrees to teach clinical and other elements of nurse training programs.

Group Insurance Coverage (section 50) – The SWM budget would require that new state employees be eligible for health insurance coverage from their first day of employment. Currently, many state

employees have waiting periods of up to 90 days to receive coverage. This section was included in last year's Senate budget.

Education

Early Education Price Limitation (section 7) – The SWM budget includes a section that provides a permanent exemption to the Department of Early Education and Care from a law governing rate differentials in state services. The exemption allows providers who receive EEC subsidies to offer free or discounted tuition to their early educators who have their own child care needs.

School Building Authority Cap and Commission (section 18) – The SWM budget increases the MSBA's annual cap on grants to \$1.2 billion, and allows that cap to grow by up to 6.5 percent annually. The cap was last increased, up to \$800 million, as part of the Student Opportunity Act. The House budget ups the cap to \$1.1 billion and maintains the current growth limit to 4.5 percent.

The SWM budget also creates a commission to examine the MSBA process, its capacity to meet capital needs and the equity of distribution. This is the third straight year some form of this commission has been included in the Senate budget.

In-State Tuition (section 8) – The SWM budget requires that public universities in Massachusetts offer in-state tuition and fees to any person who attended at least three years of high school in Massachusetts. Under this section, eligible students would also qualify for financial aid as Massachusetts residents. This would extend in-state tuition and financial aid eligibility to many undocumented residents attending school in Massachusetts.

Higher Education COVID Liability (section 37) – The SWM budget includes a provision that exempts institutions of higher education from civil liability related to actions taken, or not taken, related to COVID 19 in spring of 2020. The immunity would not apply in instances of actions that are malicious or done in bad faith.

Other

Autobody Rates (section 19) – The SWM budget requiring the Division of Insurance to set minimum hourly labor rates for automotive repair work paid for through an insurance claim. The rate established would be at least \$55. The rate would be informed by an annual report by a, newly created, autobody labor rate advisory board.

Eviction & Rental Assistance (section 35) – The SWM budget includes a provision, also included in the House budget, which codifies a pandemic-era policy in which evictions proceedings for non-payment of rent are continued if the tenant has a pending application for emergency rental assistance.

No Cost Calls for Incarcerated Individuals (section 25 – 26, 48) – The SWM budget, like the House, includes two sections which would grant those incarcerated in either Department of Corrections or House of Correction facilities with free phone calls. Governor Healey proposed a policy whereby DOC inmates would be allowed 1,000 minutes of phone calls per month.

The SWM budget also includes a section, not included in the House budget, which would limit commissary fees at HOC and DOC facilities to no more than 3 percent over the item price.

Notable House sections not included in the SWM budget (more information on these proposals can be found in [MTF's prior budget analysis](#)):

- Legalization of iLottery;
- Expansion of ConnectorCare subsidy eligibility;
- Addition of a dedicated Boston seat to the MBTA board;
- Requirement to provide no-cost school meals at all public schools;
- Increase to MassHealth ambulance reimbursement rates;
- Extension of the state's Brownfields Tax Credit;
- Authorization for sick and PFML time to be used concurrently; and
- Requirement for greater detail in demographic information collected by state agencies.

Senate Debate

Senators will have until the end of the day on Friday to file amendments to the SWM budget. More than 1,100 amendments were filed to the SWM budget in FY 2023, and Senators have averaged 924 amendments over the last ten years (FY 2013 – FY 2022). Amendments to the Senate budget will likely be organized into ten categories and taken up over the course of three days of debate. Unlike the House, the Senate does not adopt or reject amendments through omnibus “consolidated amendments.” Instead, amendments may be organized into larger “bundles,” which allow Senators to adopt or reject many individual amendments with only one vote.

In FY 2023, the Senate added \$93.3 million in spending during debate through the adoption of 514 amendments. More than half of the new spending (\$54.6 million) was in the form of earmarks for specific communities or programs, while the remaining spending (\$37.9 million) increased funding for new or existing line-items. The Senate also added 104 outside policy sections to its budget during debate in FY 2023, which covered a range of topics from a new behavioral health crisis system assessment to the creation of a commission to study School Building Authority grants.

Bottom Line

The SWM budget plan is the first proposal released after April tax collections that put the state below benchmark for FY 2023. The proposal maintains the same FY 2024 revenue assumptions agreed upon in January, and sets aside significant resources for tax relief. This is the right approach: as MTF stated last week, while state tax revenues and the larger economic climate bear close attention, the revenue foundation for FY 2024 remains reasonable and the rationale for tax relief remains compelling.

The SWM budget differentiates itself from prior spending proposals in its exclusion of companion tax relief legislation and the use of significant trust fund resources to support spending in FY 2024. SWM sets aside \$575 million to address the first-year costs of a tax reform bill the Senate will take up in the coming weeks, and utilizes \$437 million in previously appropriated funds to support spending above and beyond the Governor and House's budgets for early education and care and the behavioral health workforce.

And while the SWM spending plan includes a structure to collect, track, and spend new income surtax revenues that largely follows the framework passed by the House; it also carves out unique investments across the education and transportation sectors, including:

- A new grant program under the MSBA to assist municipalities and school districts in addressing unanticipated cost increases to school building projects;
- An emphasis on funding regional transit initiatives and improvements to municipal roadways; and
- A significant downpayment to prepare for and pilot free community college in Massachusetts.

The SWM budget includes a number of notable policy proposals: expanding the population of students eligible for in-state tuition and fees at public colleges and universities, codifying insurance coverage for certain preventative services, and adjusting the transfer of excess capital gains revenues to the Stabilization Fund and other reserves.

Senators will debate the SWM budget in the coming weeks, adopting hundreds of amendments for both programmatic and local priorities. Then, a Conference Committee will be tasked with reconciling the spending and policy differences between the House and Senate budgets.