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MTF Bulletin

May 7, 2024

Fiscal Year 2025 Senate Ways & Means Budget

Today, the Senate Committee on Ways and Means (SWM) released its budget proposal for Fiscal Year (FY) 2025. The \$57.99 billion spending plan includes notable investments in higher education, early education, and mental and behavioral health; increasing spending over the FY 2024 General Appropriations Act (GAA) by \$1.9 billion (3.4 percent).

The SWM budget spends less than the Governor by \$142.2 million (0.2 percent), and less than the House by \$80.4 million (0.1 percent). Coming out of committee, the SWM budget is essentially level with HWM, including only \$15.4 million more in spending. To support spending levels above and beyond FY 2024, the Senate’s spending plan relies on \$1.15 billion in one-time resources and new revenue-generating initiatives.

Senators have until 2 p.m. on Friday, May 10th to file amendments to the SWM budget, and Senate debate is anticipated to begin on May 20th.

SWM Budget Overview

The SWM budget proposal includes \$65.47 billion in total spending, including \$57.99 billion for line-item appropriations and \$7.5 billion in statutorily required transfers and other off-budget spending. Total line-item spending represents a \$1.9 billion (3.4 percent) increase over the FY 2024 GAA, a \$142.2 million (0.2 percent) decrease compared to the Governor’s budget, and is \$80.4 million (0.1 percent) below the House.

Senate Ways and Means FY 2025 Spending Overview

	FY 2024 GAA	FY 2025 Governor	FY 2025 House	FY 2025 SWM	\$ vs. FY 2024 GAA
Line-Item Spending	\$54,558.1	\$56,152.2	\$56,090.4	\$55,990.0	\$1,431.9
Surtax Spending	\$1,000.0	\$1,300.0	\$1,300.0	\$1,300.0	\$300.0
Medical Asst. Trust Fund	\$505.0	\$682.2	\$682.2	\$682.2	\$177.2
Behavioral Health Outreach, Access, Support	\$0.0	\$0.0	\$0.0	\$20.0	\$20.0
Total Line-Item Spending	\$56,063.1	\$58,134.4	\$58,072.6	\$57,992.2	\$1,929.1
Pre-Budget Transfers	\$6,898.9	\$7,297.0	\$7,297.0	\$7,297.0	\$398.1
Other Off-Budget	\$0.0	\$200.0	\$214.0	\$200.0	\$200.0
Total Spend	\$62,962.0	\$65,631.4	\$65,583.6	\$65,469.2	\$2,507.2

\$ in millions

The Senate’s plan is supported by \$65.62 million in total revenues, the majority of which comes from the \$40.2 billion consensus tax revenue figure agreed to by the Healey administration, House, and Senate in January. The SWM budget also relies on \$1.3 billion in revenue generated by the 4 percent surtax on income over \$1 million, and \$23.55 billion in federal reimbursements and departmental revenues.

Like the Governor and House, the Senate’s spending proposal is supported by over \$1 billion in new one-time and ongoing revenue initiatives. Of this total, \$965 million in resources are strictly one-time in nature, which is a slightly lower amount than the Governor or House.

Senate Ways and Means FY 2025 Revenue Overview

	FY 2024 GAA	FY 2025 Governor	FY 2025 House	FY 2025 SWM	\$ vs. FY 2024 GAA
Total Tax Revenue	\$40,296.0	\$41,548.7	\$41,548.7	\$41,573.6	\$1,277.6
<i>Consensus Tax Agreement</i>	\$40,410.0	\$40,202.0	\$40,202.0	\$40,202.0	-\$208.0
<i>Cap Gains Diversion</i>	-\$584.0	-\$138.4	-\$138.4	-\$138.4	\$445.6
<i>Tax Settlements</i>	\$50.0	\$50.0	\$50.0	\$50.0	\$0.0
<i>Tax Initiatives</i>	-\$580.0	\$135.0	\$135.0	\$160.0	\$740.0
<i>4% Income Surtax</i>	\$1,000.0	\$1,300.0	\$1,300.0	\$1,300.0	\$300.0
Federal Revenue	\$13,735.3	\$14,301.5	\$14,326.5	\$14,329.2	\$593.9
Departmental Revenue & Transfers	\$8,687.1	\$9,252.2	\$9,290.9	\$9,225.9	\$538.8
Trust Funds Used	\$437.0	\$565.0	\$500.0	\$490.0	\$53.0
Stabilization Fund Transfer above Cap Gains	-\$146.3	\$0.0	\$0.0	\$0.0	\$146.3
Total Revenue	\$63,009.1	\$65,667.4	\$65,666.1	\$65,618.7	\$2,609.6

\$ in millions

In FY 2025, the SWM budget assumes that the state’s Stabilization Fund will begin the fiscal year with a balance of \$8.96 billion and grow by a further \$124.5 million; ending the year with a balance \$9.08 billion.

FY 2025 Stabilization Fund Estimate

	Governor	House	SWM
FY 2024 Beginning Balance	\$8,061.3	\$8,061.3	\$8,061.3
<i>Planned Deposits</i>	\$895.0	\$895.0	\$895.0
FY 2024 Ending Balance	\$8,956.3	\$8,956.3	\$8,956.3
<i>FY 2025 Capital Gains Deposit</i>	\$96.8	\$96.8	\$124.5
FY 2025 Ending Balance	\$9,053.1	\$9,053.1	\$9,080.8

\$ in millions

The SWM budget reflects a planned deposit into the Stabilization Fund of \$124.5 million, an amount greater than what was assumed by either the Governor or House. This deposit reflects the Senate’s approach on two proposals:

- **Excess Capital Gains Revenue in Support of Operating Spending.** The SWM budget relies on \$375 million in above-threshold capital gains revenue to support operating budget spending in FY 2025, equal to the amount used by the Governor and House. The Senate’s plan similarly directs the Secretary of Administration and Finance to use these resources only if they are determined necessary for balancing the budget in FY 2025.
- **Distribution of Excess Capital Gains Revenue.** Unlike the Governor or House, SWM does not amend the distribution of excess capital gains revenue after accounting for the \$375 million transfer to the operating budget in FY 2025. Instead, they maintain the standard distribution of excess capital gains revenue as: 90 percent to the Stabilization Fund, 5 percent to the Pension Fund, and 5 percent

towards other State-Retiree Benefits. Both the Governor and House had proposed altering this distribution, as demonstrated in the table below; however, while the Governor recommended making this change permanent, the House applied it only to FY 2025.

Proposed Distributions of Excess Capital Gains Revenue in FY 2025

	Governor	House	SWM
Stabilization Fund	70%	70%	90%
Pension Fund	10%	10%	5%
State Retiree Benefits Trust Fund	10%	10%	5%
Disaster & Resiliency Relief Trust Fund	10%	10%	0%
Total Excess Capital Gains Revenue	100%	100%	100%

Each of the budget proposals now put forward by the Governor, House, and Senate have relied on above-threshold capital gains collections to support state budget spending. As MTF has written in earlier reports, temporarily diverting a share of these resources towards the operating budget is defensible. However, policymakers should remain aware that the repeated diversion of revenues away from the Stabilization Fund carries risk. In 2017, after multiple successive budgets suspended or reduced automatic deposits into the Stabilization Fund, the state’s bond rating was downgraded for the first time in 30 years.

MTF Key Question: Does the Senate adopt the proposal to divert excess capital gains revenue towards the operating budget?

Yes. The SWM budget is supported, in part, by \$375 million in excess capital gains revenue. This is equal to the amount used by the Governor and House. However, because the Senate does not amend the distribution of excess capital gains revenue towards the Stabilization and other reserves, after accounting for the transfer to the operating budget, they can support a larger deposit into the Stabilization Fund of \$124.5 million. This approach is supported by MTF because it allows for these resources to be used in support of the operating budget during a time of fiscal transition while still growing the balance of the Rainy Day Fund.

SWM Budget – 5 Things to Know

1. The Senate Ways and Means budget includes \$57.99 billion in total line-item spending, a \$1.9 billion (3.4 percent) increase over the FY 2024 GAA. Excluding spending supported by the income surtax and a transfer to the Medical Assistance Trust Fund (MATF), spending totals \$55.99 billion, an increase of \$1.4 billion (2.6 percent) over FY 2024. As recommended by MTF, this rate of spending growth is in line with expected revenues, which are expected to increase by 3.5 percent over FY 2024 after taking into account the fiscal impacts of tax relief.
2. The Senate’s spending plan reflects \$1.3 billion in spending supported by income surtax revenue, which, as statutorily required, is dedicated towards education (\$735 million, 57 percent) and transportation (\$565 million, 43 percent) investments. Notable surtax spending proposals include:

- a. \$117.5 million for the implementation of free community college.
 - b. \$150 million for Childcare Operational Grants, for a total funding level of \$475 million.
 - c. \$170 million for Universal School Meals.
 - d. \$250 million for an automatic transfer to the Commonwealth Transportation Fund.
3. The SWM budget adopts three of the Governor’s revenue-generating proposals, though makes several notable changes. Additionally, the Senate’s plan does not include the proposal to authorize the creation of an online lottery. In total, these initiatives provide \$285 million in new revenue to support spending in FY 2025, a total slightly lower than what was assumed in the Governor’s and House budgets.
 - a. \$100 million through the re-direction of certain gaming revenues onto the state budget;
 - b. \$100 million from the adoption of a tax amnesty program;
 - c. \$60 million generated by several tax fairness and modernization initiatives; and
 - d. \$25 million from a provision to allow debit cards to be used for lottery sales.
 4. In FY 2025, the Senate budget relies on a total of \$965 million in one-time resources to support spending, including \$865 million in one-time trust fund and above-threshold capital gains revenues.
 - a. \$225 million from the Student Opportunity Act;
 - b. \$265 million from the High-Quality Early Education and Care Trust Fund; and
 - c. \$375 million in above-threshold capital gains revenues.
 5. The Senate spending proposal includes 113 outside policy sections, one more than the number proposed by the Governor and four more than the House. There is significant overlap in policy proposals in the SWM, House, and Governor’s budgets; with approximately 65 sections common to all three. Notable proposals in the SWM budget are related to higher education and early education.

FY 2025 SWM Budget Resources

The SWM budget proposal relies on \$65.62 billion in total state revenues. To assess the resources used by the Senate to support spending in FY 2025, and compare them to the Governor and House budgets, this brief organizes them into five categories: (1) baseline tax revenues, (2) income surtax revenues, (3) revenue initiatives, (4) non-tax revenues, and (5) one-time resources.

Baseline Tax Revenues

As agreed to by the Healey administration, House, and Senate back in January, the revenue foundation for the SWM budget is the consensus revenue figure of \$40.2 billion. As demonstrated by the table below, this figure represents a \$792 million (2 percent) increase over the FY 2024 revised revenue benchmark of \$39.41 billion, and a \$1.37 billion (3.5 percent) increase over expected FY 2024 tax collections of \$38.83 billion.¹

¹ In January, the Healey administration downgraded the FY 2024 revenue benchmark from \$40.41 billion to \$39.41 billion, excluded revenues related to the 4 percent surtax on income over \$1 million. After taking into account the fiscal impacts of the tax relief package, expected FY 2024 revenue collections total \$38.83 billion.

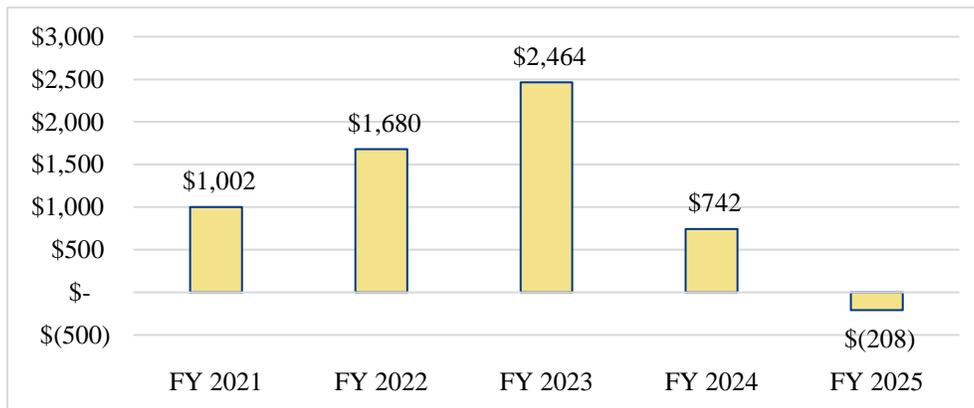
FY 2025 Consensus Tax Revenue Agreement (excluding surtax)

	FY 2024 Projection	FY 2025 Est.	v. Current BM	\$ v. FY 2024 Proj.	% v. FY 2024 Proj.
FY 2024 Benchmark	\$39,410	\$40,202	-\$208	\$792	2.0%
w/ Tax Relief Adjust.	\$38,833	\$40,202	-\$208	\$1,369	3.5%

\$ in millions

While revenue collections are expected to increase year over year, it is important to note that budget writers are building their FY 2025 spending plans using fewer tax revenues than were available during the FY 2024 budget development process. To illustrate this challenge, the graph below compares the consensus tax revenue estimate for FY 2025 to the tax revenue assumption that was used to build the prior year’s GAA. For example, as policymakers were crafting the FY 2023 GAA, they had access to nearly \$2.5 billion in new tax revenues compared to what was available for the FY 2022 budget.

Consensus Tax Revenue Estimate v. Tax Revenue Assumption for Current Year GAA



\$ in millions

The consensus tax revenue agreement also includes four “pre-budget” transfers to the Workforce Training Fund, the Pension Fund, the MBTA, and the School Building Authority (SBA) totaling \$7.3 billion, excluding the transfer of excess capital gains revenue into the Stabilization Fund and other reserves.

FY 2025 Consensus Tax Revenues for Budget

	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Consensus Tax Revenues	\$40,410	\$40,202	\$40,202	\$40,202
<i>Workforce Training Trust Fund</i>	-\$27	-\$27	-\$27	-\$27
<i>School Building Authority</i>	-\$1,304	-\$1,305	-\$1,305	-\$1,305
<i>MBTA</i>	-\$1,464	-\$1,465	-\$1,465	-\$1,465
<i>Pension Fund</i>	-\$4,105	-\$4,500	-\$4,500	-\$4,500
<i>Capital Gains Transfer</i>	-\$583	-\$138	-\$138	-\$138
Transfers (excl. Cap. Gains)	-\$6,899	-\$7,298	-\$7,298	-\$7,298
CR Taxes Remaining for Budget	\$32,928	\$32,766	\$32,766	\$32,766

\$ in millions

The consensus tax revenue estimate available to support spending in the SWM budget is \$32.77 billion; equal to the Governor and House and \$162 million less than what was available in FY 2024.

Income Surtax Revenue

The SWM budget relies on \$1.3 billion in revenue generated by the four percent surtax on income over \$1 million, consistent with the consensus revenue agreement. As required, these revenues are divided between education (\$735 million, 56.5 percent) and transportation (\$565 million, 43.5 percent).

SWM's Proposed Use of Income Surtax Revenue

	FY 2025 Governor	FY 2025 House	FY 2025 SWM	% of Total (SWM)
Education	\$750	\$695	\$735	56.5%
<i>Early Education</i>	\$311	\$270	\$310	23.8%
<i>K-12 Education</i>	\$210	\$267	\$193	14.8%
<i>Higher Education</i>	\$229	\$158	\$233	17.9%
Transportation	\$550	\$605	\$565	43.5%
<i>MBTA</i>	\$172	\$235	\$175	13.4%
<i>MassDOT</i>	\$179	\$275	\$123	9.5%
<i>RTAs</i>	\$75	\$90	\$120	9.2%
<i>Local/Pilot Program</i>	\$124	\$5	\$148	11.3%
Total Investments	\$1,300	\$1,300	\$1,300	

\$ in millions

While the Senate’s proposal reflects many of the same themes found in the Governor’s and House budgets – including maintaining recent program expansions and supporting longer-term capital needs – they also carve out unique priorities, including:

- Dedicating \$117.5 million towards the implementation of a cost-free community system.
- Increasing support for Regional Transit Authorities to \$120 million, a \$30 million increase over the Governor and House.
- Expanding access to financial aid through a \$105 million investment, an increase of \$35 million over the Governor and House.

Additional details on all of the surtax-supported spending in the SWM budget are included in the specific spending sections of the report.

MTF Key Question: Does the Senate divide surtax funds evenly between education and transportation investments?

No. The SWM budget does not equally divide surtax revenues between education and transportation. Instead, 57 percent (\$735 million) is dedicated towards education investments, while 43 percent (\$565 million) is directed towards transportation. MTF has previously recommended an even split between these two investment areas in order to provide greater structure and certainty for impacted departments, and support the sustainable use of these resources in the operating budget.

Revenue Initiatives

To support new and expanded spending in FY 2025, the SWM budget utilizes \$285 million in revenue generated by four one-time and ongoing initiatives; three of which were originally put forward by the Healey administration and also adopted by the House.

SWM Revenue Initiatives

Proposal	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Online Lottery	\$75	\$100	\$0
Tax Fairness & Modernization	\$60	\$60	\$60
Debit Card Lottery	\$0	\$0	\$25
Tax Amnesty Program	\$75	\$75	\$100
Gaming Fund Redistribution	\$100	\$80	\$100
Total Revenue Initiatives	\$310	\$315	\$285

\$ in millions

The proposals to institute a tax amnesty program in FY 2025 and adopt a series of tax fairness and modernization recommendations match the proposals in the Governor’s and House budgets exactly, though SWM does assume that tax amnesty will generate \$25 million more in revenue. Additional details on those two initiatives can be found [here](#).

However, the Governor, House, and Senate differ in their approaches to create an online lottery and redistribute the collection of certain gaming revenues.

- **Online Lottery (\$0)** – The SWM budget does not include language to create an online lottery. The Governor’s budget assumed an online lottery would generate \$75 million in new ongoing revenue for the state, while the House budget reflected \$100 million in ongoing revenue.
- **Gaming Fund Revenues (\$100 million)** – The SWM budget reflects the Governor’s proposal to streamline the collection of certain casino gaming revenues towards budgeted revenue funds, providing an additional \$100 million in support of operating expenses. But unlike the Governor, the Senate proposes to make this a permanent redistribution and differs slightly in the disposition of off-budget funds.
- **Debit Card Lottery Purchases (\$25 million)** – Uniquely, the Senate budget includes a proposal to allow debit cards to be used for lottery sales and assumes that this will generate \$25 million annually. This initiative was not included by either the Governor or House.

Non-Tax Revenues

In addition to revenue generated from taxes and revenue initiatives, the SWM budget also relies upon \$23.55 billion in non-tax revenues related to federal grants and reimbursement and departmental operations. The most notable non-tax revenue sources included in the SWM budget include:

- **State Medicaid Reimbursements (\$12.4 billion)** – Massachusetts receives significant reimbursement for state spending on the MassHealth program. During the federal Public Health Emergency (2020 – 2023), the state benefitted from an increase in its federal match rate for MassHealth payments, bringing in approximately \$1 billion in enhanced federal revenue each year.

FY 2025 will be the first full fiscal year in which the state receives no additional reimbursement for MassHealth spending and the majority of payments will be eligible for 50 percent reimbursement. The SWM budget assumes that the state will collect \$12.4 billion in federal reimbursement, a \$356.8 million increase compared to FY 2024, an \$7.9 million increase compared to the Governor, and \$17.1 million less than the House.

- **Gaming** (\$379.5 million) – The SWM budget assumes non-tax gaming revenues will total \$379.5 million in FY 2025, an increase of \$139.2 million over FY 2024 and \$20 million more than the House. The Senate’s gaming revenue assumption is equal to the Governor’s budget, which reflects the \$100 million in revenue associated with the diversion of gaming revenues, described above.
- **Marijuana** (\$21.5 million) – In FY 2025, the SWM budget includes \$21.5 million in revenue generated by marijuana licensing and fees. This is a \$7.2 million decrease compared to FY 2024 and level with the Governor and House.
- **Lottery** (\$1.48 billion) – Net profits from the Lottery are expected to be \$1.48 billion in the SWM budget, which reflects a \$25 million revenue assumption associated with their proposal to allow lottery sales with debit cards. After adjusting for the \$75 million online lottery assumption in the Governor’s budget, and the \$100 million assumption from the House, this equals a \$236 million increase over FY 2024 and is level with the Governor and House. Through March, the Lottery’s year-to-date net profits equal \$882.3 million, \$24.2 million behind FY 2023.

One-Time and Ongoing Resources

In total, the SWM budget relies on \$1.15 billion in one-time and new ongoing revenues to support spending in FY 2025. Of this amount, \$965 billion are strictly one-time in nature; including trust fund resources, above-threshold capital gains, and other temporary initiatives. As demonstrated by the table below, this is a smaller amount of one-time resources than compared to the Governor or House.

One-Time v. Ongoing Revenues in FY 2025

Proposal	One-Time v. Ongoing	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Online Lottery	Ongoing	\$75	\$100	\$0
Tax Fairness & Modernization	Ongoing	\$60	\$60	\$60
Debit Card Lottery	Ongoing	\$0	\$0	\$25
Gaming Fund Redistribution	Ongoing	\$0	\$0	\$100
Subtotal Ongoing		\$135	\$160	\$185
Tax Amnesty Program	One-Time	\$75	\$75	\$100
High-Quality EEC Trust Fund	One-Time	\$265	\$200	\$265
Student Opportunity Act Investment Fund	One-Time	\$300	\$300	\$225
Above Threshold Capital Gains	One-Time	\$375	\$375	\$375
Gaming Fund Redistribution	One-Time	\$100	\$80	\$0
Subtotal One-Time		\$1,115	\$1,030	\$965
Total One-Time & Ongoing Revenue Initiatives		\$1,250	\$1,190	\$1,150

\$ in millions

The Senate budget relies on fewer one-time resources to support spending, in part, because of their proposal to make the redistribution of certain gaming revenues permanent (described above). In addition, the Senate diverges from the House budget in their use of existing trust fund resources.

- *High-Quality Early Education and Care Affordability Fund* (\$265 million) – The SWM budget is supported by \$265 million in resources from the EEC trust fund, which are used to fund the costs of the C3 Childcare Operational Grants program in FY 2025. Like the Governor’s budget, the Senate’s proposal would deplete the remaining resources in the fund.
- *Student Opportunity Act Investment Fund* (\$225 million) – The Senate utilizes \$225 million from the SOA Investment Fund to support the costs of Chapter 70 state aid for public schools in FY 2025. Both the Governor and House relied on \$300 million from the fund in FY 2025. The Senate’s approach would leave \$275 million in the SOA fund for future use.

MTF Key Question: What level of one-time resources are included in the SWM budget?

The SWM budget relies on \$965 million in temporary resources to support spending in FY 2025, less than either the Governor or the House. The Senate is able to reduce its reliance on one-timers by making the redistribution of certain gaming revenues permanent and reducing withdrawals from the EEC and SOA trust funds. In earlier reports, MTF recommended that the Legislature keep the use of one-time resources to less than the amount proposed by the Governor (\$1.1 billion). SWM’s approach accomplishes this goal while still maximizing revenue opportunities during a year of slow tax revenue growth.

FY 2025 SWM Budget Spending

The FY 2025 SWM budget proposal includes \$57.99 billion in total line-item spending, a \$1.9 billion (3.4 percent) increase over the FY 2024 GAA, a \$142.2 million (0.2 percent) decrease compared to the Governor, and an \$80.4 million (0.1 percent) decrease compared to the House. Excluding surtax-supported spending and the transfer to the MATF, spending totals \$55.99 billion, a \$1.4 billion (2.6 percent) increase over FY 2024.

FY 2025 Proposed Spending Totals

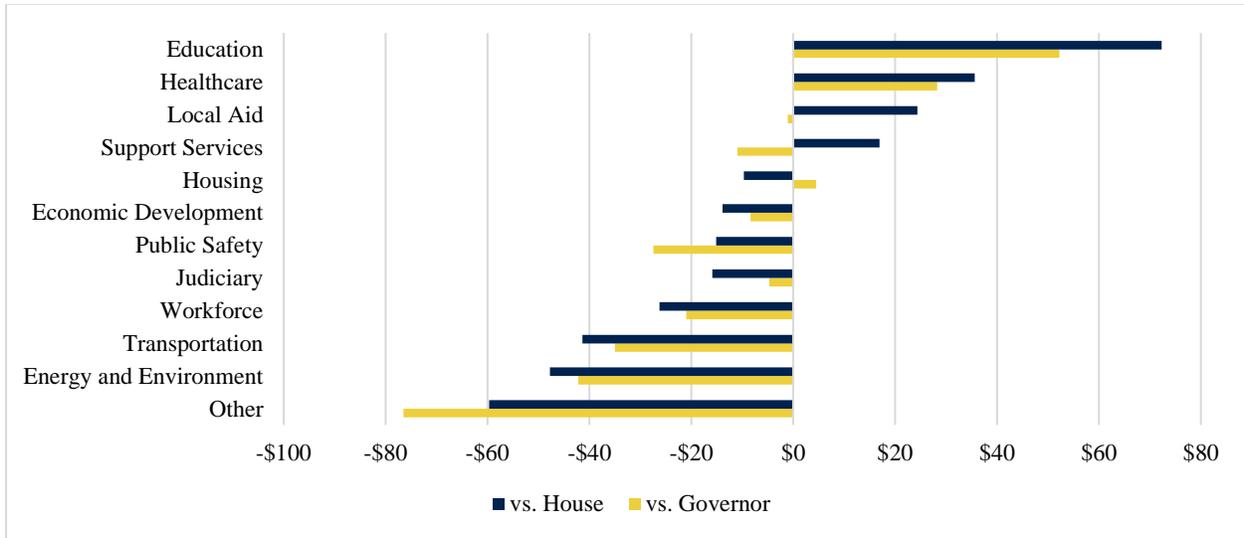
	FY 2024 GAA	FY 2025 Governor	FY 2025 House	FY 2025 SWM
Line-Item Spending	\$54,558.1	\$56,152.2	\$56,090.4	\$55,990.0
Surtax Spending	\$1,000.0	\$1,300.0	\$1,300.0	\$1,300.0
Medical Asst. Trust Fund	\$505.0	\$682.2	\$682.2	\$682.2
Behavioral Health Outreach, Access, Support	\$0.0	\$0.0	\$0.0	\$20.0
Total Line-Item Spending	\$56,063.1	\$58,134.4	\$58,072.6	\$57,992.2
V. SWM	\$1,929.1	-\$142.2	-\$80.4	

\$ in millions

When spending levels in the SWM budget are compared to the Governor’s proposal and House by category, excluding surtax revenues, underlying priorities and trends emerge. The Senate targets additional spending

towards education, healthcare, and local aid; while spending less than the Governor and House on workforce, transportation, and energy and environment.

SWM FY 2025 Spending Trends by Category of Investments



\$ in millions

MassHealth & Healthcare

MassHealth

Spending on the MassHealth program totals \$20.33 billion in the SWM budget, representing 35 percent of total line-item spending. Compared to estimated spending projections for FY 2024, gross state spending on MassHealth in the SWM budget increases by \$779 million (4 percent), and the net cost of the program increases by \$281 million (3.7 percent).

FY 2025 MassHealth Spending and Federal Reimbursement

	FY 2024 Current	FY 2025 - Governor	FY 2025 - HWM	FY 2025 - SWM	SWM v. FY24 Current
Federal Reimbursement Share	\$11,872	\$12,363	\$12,388	\$12,371	\$499
% of Total Spending	60.7%	60.8%	60.8%	60.8%	
State Share	\$7,681	\$7,960	\$7,988	\$7,962	\$281
Total MassHealth Spending	\$19,553	\$20,322	\$20,376	\$20,332	\$779

\$ in millions

As MTF has written in earlier [reports](#), in FY 2025 MassHealth spending faces a major challenge: healthcare costs are increasing at the same time that the state is losing nearly \$1 billion a year in enhanced federal reimbursement revenue. Additionally, significant uncertainty surrounds MassHealth caseload related to the redeterminations process, which has the potential to greatly impact spending levels. For example, if projected MassHealth caseload for FY 2025 increases by 25,000 members, net spending on the program may grow by over \$100 million.

To constrain MassHealth spending growth in FY 2025, the SWM budget relies on many of the same savings and revenue initiatives first proposed by the Governor; including one-time federal revenues, revenues generated by reforms to the hospital and payor assessment structures, and several program integrity measures.

Like the House, the Senate budget does not adopt the changes proposed by the Governor to the Personal Care Attendant (PCA) program. The Governor's budget assumed \$57 million in savings associated with adjustments to the Activities of Daily Living (ADL) and meal preparation requirements of the program. The SWM budget includes line-item language that would maintain current PCA program services and restores the funding that is necessary to support the program (which was not included by the House). To keep total MassHealth spending essentially equal to the Governor's budget, despite restoring funding for the PCA program, the SWM budget appears to include targeted reductions related to other planned rate increases.

Healthcare Assessment Changes

Like the Governor and the House, the SWM budget includes a number of policy sections making significant changes to how we assess insurers and amends the hospital assessment system, most recently adjusted as part of the FY 2022 budget process. SWM largely adopts the House final approach to these provisions (which adopted several changes through an amendment) by increasing assessment amounts significantly, while also increasing the amount of money reinvested in the healthcare system in the form of rates paid to MCOs and payments made to hospitals. After accounting for increased payments to insurers and health care providers, in FY 2025 the SWM proposal will generate an additional \$57 million in General Fund revenue and reduce General Fund payments to health care trust funds by approximately \$75 million.

The assessment changes proposed in the budget fall into three categories:

Managed Care Assessment (sections 4, 5, 9 through 12, 51, 53 through 57, 59, 60, 63, 64, 76, 93 through 96, 114 and 115) – These sections change the way in which insurance payors are assessed to support a variety of healthcare related costs. Currently, payors pay six separate assessments, while under the new proposal, the assessments would be combined and increased by \$246 million, to be repaid to Medicaid MCOs in the form of increased rates. The sections:

- Create a single “Total managed care organization services assessment amount” which is equal to the sum of \$246 million, and the MCO share of the cost of operations of CHIA, HPC, the Health Safety Net, the Vaccine Purchase Trust Fund, MCPAP, and the Behavioral Health Access and Crisis Intervention Trust Fund.
- Establish a new payor assessment, beginning in 2025. The assessment:
 - Shall be equal (annually) to the total defined assessment amount;
 - Shall be assessed on a services rendered basis;
 - Shall vary depending on whether or not the payor is a Medicaid MCO and, if a Medicaid MCO, if their enrollment meets a standard to be set by EOHHS.
- Direct the combined MCO assessment amount to:
 - The existing 6 assessment areas;
 - \$246 million for MCO reinvestment rates; and
 - A General Fund subsidy of \$57 million in FY 2025 and \$114 million annually thereafter.

- Eliminate existing, standalone, MCO surcharges that support entities and initiatives now funded through the MCO services assessment amount.
- Give EOHHS the authority to propose alterations to the assessment or maintain the current assessment if appropriate federal approvals for the new assessment are not received.

The SWM insurer assessment differs from the House and administration budgets in the definition of services subject to assessment. It eliminates language tying the assessment to premiums or payments made on a per-member per-month basis and instead refers to “services rendered” for which a premium or service is paid. The SWM language allows the MCO assessment to be based on a tax base related to member months, premiums, claims, or charges as defined by EOHHS and applied consistently.

Hospital Assessment (sections 29, 29, 54, 58, 61, 62, 97 through 100, and 109) – These sections amend the hospital assessment/incentive payment system put in place in 2022, as part of the state’s recently negotiated Medicaid waiver. The changes are very similar to the House budget, which was amended during debate. The sections increase total hospital assessments by \$604.1 million and generate additional reimbursements, allowing for up to \$1 billion in additional hospital payments and resulting in approximately \$75 million in FY 2025 budget savings. The changes:

- Increase the annual “Total Hospital Assessment Amount” by \$604.1 million from \$880 million to \$1.484 billion.
 - This assessment is deposited into the Health Safety Net Trust Fund.
- Amend the acute hospital assessment formula, established in 2022, by:
 - Creating a differential assessment for large and small “Group 1” and “Group 2” safety net hospitals, as well as freestanding pediatric acute hospitals.
 - Increasing current assessments for outpatient services.
 - Increasing the rate for non-acute hospitals for both in-patient and outpatient services.
 - All of these assessment changes are identical to the changes adopted in the House Final budget.
- Increase annual payments from the Health Safety Net Trust Fund to the:
 - Safety Net Provider Trust Fund from \$62.5 million to \$149.3 million.
 - Hospital Performance Incentive & Performance Trust Fund from \$532 million to \$994 million.
 - Non-acute hospital reinvestment fund from \$10 million to \$30.25 million.
- Give EOHHS the authority to propose alterations to the assessment or maintain the current assessment if appropriate federal approvals for the new assessment are not received.

The fiscal impact to the General Fund from these changes is identical in the administration and House budgets. The House and SWM budgets differ from the administration and original HWM budgets in terms of the assessment change to hospitals, reinvestment payments and the assessment formula.

Health Care Trust Spending (section 35) – This section creates two new trust funds related to the overhauled MCO assessment. One fund (the Massachusetts Psychiatry Access Project Fund) will receive insurer assessment revenues to support the MCPAP program.

The section also creates the Managed Care Organization Services Reinvestment Trust Fund (MCOSTF), which will receive \$246 million annually from MCO assessments, as well as federal reimbursements related to expenditures from the fund. As noted above, \$246 million from the fund will go directly to MCOs in the form of additional rates. In FY 2025, \$57 million from the fund will be dedicated to the General Fund and that transfer will double to \$114 million in future years.

These two funds are also created in the House budget. The administration’s budget also created the MCOSTF, but created a broader trust fund to combine assessment amounts for MCPAP and CHIA.

MTF Key Question: Does the Senate adopt the proposed changes to hospital and payor assessments?

Yes. Like the Governor and House, the SWM budget includes a number of outside policy sections that make significant changes to the structures by which the state assesses hospitals and insurers. The SWM language closely mirrors the House final budget, which aims to simplify the current assessment system, while also generating additional revenue and savings for the state. In FY 2025, the SWM proposal will generate an additional \$57 million in General Fund revenue and reduce General Fund payments to the health care trust funds by approximately \$75 million.

Municipal Finance

Unrestricted General Government Aid (UGGA) is funded in the SWM budget at \$1.31 billion, a \$38.1 million (3 percent) increase over FY 2024 and \$25.4 million (2 percent) more than the House. This funding level is equal to the Governor’s budget and provides an increase to local aid for cities and towns that is greater than the consensus revenue growth rate of 2 percent.

PILOT – Payment in Lieu of Taxes for State-Owned Land – is included in the SWM budget at \$53 million, a \$1.5 million (3 percent) increase over the prior year, and a \$1.2 million (2.3 percent) increase over the Governor and House.

UGGA and PILOT Funding in FY 2025

Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
UGGA	\$1,270.6	\$1,308.7	\$1,283.3	\$1,308.7
<i>\$ Increase v. Prior Year</i>	\$39.4	\$38.1	\$12.7	\$38.1
<i>% Increase v. Prior Year</i>	3.2%	3.0%	1.0%	3.0%
PILOT	\$51.5	\$51.8	\$51.8	\$53.0
<i>\$ Increase v. Prior Year</i>	\$6.5	\$0.3	\$0.3	\$1.5
<i>% Increase v. Prior Year</i>	14.4%	0.7%	0.7%	3.0%

\$ in millions

Other Investments in Municipalities

- **Municipal Regionalization and Efficiencies Reserve** (\$12 million) – The SWM budget funds this reserve account at \$12 million, and includes within the appropriation earmark funding for specific programs: \$3 million for the District Local Technical Assistance Fund, \$2 million for regional planning agencies to assist communities applying for federal and state grant opportunities, and \$6 million for a competitive grant program to support public safety and emergency staffing needs. The

SWM budget does not include explicit funding for several programs included in the Governor’s budget, including the Community Compact program or a new Municipal High-Demand Position Training Program.

MTF Key Question: Does the SWM budget decouple growth in local aid for cities and towns from expected revenue growth?

Yes. The SWM budget increases funding for Unrestricted General Government Aid (UGGA) by \$38.1 million over FY 2024; level with the Governor’s budget and a \$24.5 million increase over the House. At this funding level, direct aid to cities and towns would increase by 3 percent over the prior year, which is greater than expected state tax revenue growth of 2 percent. For the last two fiscal years, the final budget signed into law has included an increase in UGGA funding that is greater than the consensus revenue growth rate.

Education

Early Education

The SWM budget includes \$1.58 billion in total funding for early education and care programs in FY 2025, an increase of \$56.7 million (3.7 percent) over the FY 2024 GAA, an increase of \$850K (0.1 percent) compared to the Governor, and \$38.2 million (2.5 percent) more than the House.

FY 2025 Early Education and Care Spending

Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Administration	\$59.1	\$59.8	\$87.8	\$65.8
Child Care Operational Grants (C3)	\$475.0	\$325.0	\$300.0	\$325.0
Child Care Financial Assistance	\$753.8	\$773.8	\$773.8	\$773.8
<i>DCF and DTA Related Child Care</i>	<i>\$346.6</i>	<i>\$356.6</i>	<i>\$356.6</i>	<i>\$356.6</i>
<i>Income-Eligible Child Care</i>	<i>\$407.2</i>	<i>\$417.2</i>	<i>\$417.2</i>	<i>\$417.2</i>
Program Supports & Expansion	\$47.5	\$47.7	\$47.5	\$41.0
<i>Preschool Partnership Initiative</i>	<i>\$15.0</i>	<i>\$17.7</i>	<i>\$15.0</i>	<i>\$17.5</i>
<i>Grants to Head Start Programs</i>	<i>\$17.5</i>	<i>\$15.0</i>	<i>\$17.5</i>	<i>\$18.5</i>
Child Care Resource & Referral Orgs.	\$20.0	\$20.0	\$20.0	\$20.0
Reimbursement Rate Reserve	\$55.0	\$0.0	\$0.0	\$0.0
Other Early Education	\$41.3	\$40.8	\$41.6	\$43.3
Income Surtax Spending	\$70.5	\$311.0	\$270.0	\$310.0
<i>Child Care Operational Grants (C3)</i>	<i>\$0.0</i>	<i>\$150.0</i>	<i>\$175.0</i>	<i>\$150.0</i>
<i>Child Care Provider Capital Grants</i>	<i>\$15.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
<i>Preschool Partnership Initiative</i>	<i>\$5.5</i>	<i>\$21.0</i>	<i>\$0.0</i>	<i>\$15.0</i>
<i>Income Eligible Waitlist</i>	<i>\$25.0</i>	<i>\$0.0</i>	<i>\$30.0</i>	<i>\$0.0</i>
<i>EEC Provider Rates</i>	<i>\$25.0</i>	<i>\$65.0</i>	<i>\$65.0</i>	<i>\$65.0</i>
<i>Childcare Affordability</i>	<i>\$0.0</i>	<i>\$75.0</i>	<i>\$0.0</i>	<i>\$80.0</i>
Total Spending	\$1,522.2	\$1,578.0	\$1,540.7	\$1,578.9

\$ in millions

The Senate’s proposal for early education and care reflects many of the proposals that were included in its comprehensive early education and care reform bill passed in March; which are also reflected throughout several outside policy sections. In addition to codifying the Child Care Financial Assistance (CCFA) system and making permanent the C3 Child Care Operational Grants program, the bill introduced a number of programs to strengthen the early educator workforce and expand equitable access to care. A complete summary of the Senate’s bill can be found [here](#). Descriptions of the relevant outside section policies are included later in this report.

C3 Childcare Operational Grants

The C3 program is funded at \$475 million in the SWM budget, level with the FY 2024 GAA, Governor, and House. The SWM budget funds the program through a combination of General Fund (\$60 million), EEC Trust Fund (\$265 million), and income surtax (\$150 million) revenues.

Unlike the House, the SWM proposal does not direct certain sources of funding towards specific types of providers; however, line-item language prioritizes programs serving high-percentages of children receiving financial assistance and limits the amount of funding that can be directed towards providers operating more than ten center-based programs in the state.

Funding Source	Amount	Eligible Providers
General Fund & EEC Trust Fund	\$325	<i>All providers, with priority given to programs with higher percentages of state subsidized enrollment. Providers operating more than 10 center-based programs in the state shall receive no more than 1 percent of the funding through this item.</i>
Income Surtax	\$150	<i>Programs whose enrollment includes not less than 50 percent of children with a state subsidy. Providers operating more than 10 center-based programs in the state shall receive no more than 1 percent of the funding through this item.</i>
Total Funding	\$475	

\$ in millions

Other notable funding proposals found in the SWM budget include:

- **Child Care Financial Assistance** (\$773.8 million) – The SWM budget increases funding for Income-Eligible and DTA/DCF related childcare by \$20 million over FY 2024, for a total of \$774 million. In combination with a \$45 million investment of income surtax revenue, this funding level appears to annualize the entirety of a \$65 million rate increase approved for FY 2024. The SWM budget also includes \$20 million for new provider rate increases in FY 2025.
- **Employer-Supported Early Education and Care Pilot Program** (\$2.5 million) – The SWM budget includes \$2.5 million to establish a new competitive matching grant pilot program to increase access to high-quality and affordable childcare in partnership with Massachusetts employers. To participate in the pilot program an employer must commit to cover 50 percent of the expected costs of creating new early education and care slots, ensure that early educators are paid pursuant to salary and compensation guidelines, and serve children receiving financial assistance.
- **Commonwealth Preschool Partnership Initiative** (\$17.5 million) – To expand access to free and discounted preschool for 4-year old children in Massachusetts, the SWM budget funds the CPPI

program with \$17.5 million in General Fund resources and \$15 million in income surtax revenue, for a total of \$32.5 million in FY 2025. The Governor proposed total funding for the program of \$38.7 million, with the goal of expanding the program into the remaining Gateway Cities by the end of 2026.

- **Grants to Head Start** (\$18.5 million) – The SWM budget funds Head Start programs at \$18.5 million in FY 2025, an increase of \$1 million over the FY 2024 GAA and House, and \$3.5 million greater than the House.

Income Surtax Investments

The SWM budget includes \$310 million in spending for early education and care supported by the income surtax; representing 24 percent of all surtax-supported investments in the Senate’s proposal. Unlike the House, the SWM budget adopts a number of the Governor’s proposals for early education and care, including expansions of the Income-Eligible childcare program and the Commonwealth Preschool Partnership Initiative.

- \$150 million for the C3 Childcare Operational Grants program.
- \$65 million for provider rate increases, \$45 million of which will go towards the annualization of rates approved in FY 2024 and \$20 million for new rate increases in FY 2025.
- \$80 million to reduce the Income-Eligible waitlist and to expand the initial eligibility threshold for Income-Eligible childcare from 50 percent to 85 percent of the State Median Income (SMI), as originally proposed by the Governor.
- \$15 million for the expansion of the Commonwealth Preschool Partnership Initiative (CPPI), with priority given to school districts serving high percentages of high-needs students.

MTF Key Question: Does the SWM budget maintain funding for C3 Operational Grants, and what funding sources are used to support the program?

Yes. The SWM budget funds the C3 Childcare Operational Grants program at \$475 million, level with the FY 2024 GAA, Governor, and House. The program is supported by a combination of General Fund (\$60 million), trust fund (\$265 million), and income surtax (\$150 million) revenues. The SWM budget does not include the House’s proposal to direct certain funding streams towards different types of providers. Instead, Senate language prioritizes programs serving high-percentages of children with state subsidies and limits the amount of funding that can go towards providers operating more than ten center-based programs in the state.

K-12 Education

Chapter 70 State Aid

The SWM budget provides \$6.9 billion in total funding for Chapter 70 state aid, an increase of \$308.6 million (4.7 percent) over the FY 2024 GAA. The Senate fully funds the fourth-year of Student Opportunity Act (SOA) implementation and increases minimum aid per pupil to \$104. This funding level is \$45.2 million (0.7 percent) greater than the Governor’s budget, and level with the House.

FY 2025 Chapter 70 Aid Funding

Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Chapter 70 State Aid	\$6,584.8	\$6,856.0	\$6,863.9	\$6,901.2
<i>Minimum Aid Supplement</i>	\$7.9	\$0.0	\$37.00	\$0.0
Total State Aid	\$6,592.6	\$6,856.0	\$6,900.9	\$6,901.2
<i>\$ Increase v. Prior Year</i>	\$594.4	\$263.4	\$308.3	\$308.6
<i>% Increase v. Prior Year</i>	9.9%	4.0%	4.7%	4.7%
SOA Implementation Schedule	Year 3	Year 4	Year 4	Year 4

\$ in millions

As described in earlier MTF [reports](#), state aid for public schools in FY 2025 is primarily impacted by two factors: a lower inflation index of 1.4 percent and stagnant statewide foundation enrollment trends. As a result of these trends, Chapter 70 aid receives a smaller year-over-year increase in FY 2025 compared to FY 2023 and FY 2024. However, to direct additional state support to over 200 school districts, the Senate increases minimum per pupil aid from \$30 to \$104.

The slight differences between funding for public schools in the SWM and other budgets, after accounting for minimum aid, are related to updates to enrollment figures.

MTF Key Question: Does the SWM budget continue Student Opportunity Act implementation, moving towards full implementation by FY 2027?

Yes. The SWM budget fully funds the fourth year of Student Opportunity Act implementation, keeping the state on track towards full implementation by FY 2027. While stagnant student enrollment and low inflation have resulted in a smaller year-over-year increase in state aid, the SWM budget – like the House – increases minimum per pupil aid from \$30 to \$104. In combination with updates made to the Chapter 70 aid formula related to low-income student enrollment, this proposal increases state aid for public schools by \$45.2 million over the Governor’s budget.

Education Reimbursement Programs

The Senate’s plan includes a total of \$820.3 million for other major education reimbursement programs in FY 2025, including Charter Tuition Reimbursement, the Special Education Circuit Breaker, and Student Transportation Reimbursement. This funding level represents a \$38.1 million (4.4 percent) decrease compared to the FY 2024 GAA and is \$300K less than the House. These programs are level funded with the Governor’s budget.

FY 2025 K-12 Education Reimbursement Programs

Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
SPED Circuit Breaker	\$499.0	\$492.2	\$492.9	\$492.2
Charter Tuition Reimbursement	\$232.7	\$199.0	\$199.0	\$199.0
Regional School Transportation	\$97.1	\$99.5	\$99.5	\$99.5
Non-Resident Vocational Transportation	\$1.0	\$1.0	\$0.0	\$1.0
Homeless Student Transportation	\$28.7	\$28.7	\$28.7	\$28.7
Total Education Reimbursement	\$858.4	\$820.3	\$820.0	\$820.3

\$ in millions

Details on the funding levels for these programs include:

- **Charter Tuition Reimbursement** – The SWM budget level funds Charter Tuition Reimbursement with the Governor and House budgets at \$199 million. This funding level is projected to fully reimburse districts’ charter tuition claims in FY 2025.
- **Special Education Circuit Breaker** – The Circuit Breaker program is funded at \$492.2 million in FY 2025, level with the Governor’s budget and \$500K less than the House budget. The reduction in funding compared to the House is related to an earmark for the Best Buddies program. The funding level included in the SWM budget is projected to fully reimburse districts for eligible special education instructional and out-of-district transportation costs.
- **Student Transportation Reimbursement** – The SWM budget level funds Regional School Transportation (87 percent reimbursement), Homeless Student Transportation (71 percent reimbursement), and Non-Resident Vocational Transportation (17 percent reimbursement) with the Governor’s budget.

Income Surtax Investments

The SWM budget directs \$192.5 million in income surtax spending towards the K-12 education sector, representing 15 percent of all surtax investments. These investments include:

- \$170 million for the Universal School Meals program. This is level with the Governor’s budget, but \$20 million less than the House.
- \$10 million to support the Governor’s proposed early literacy initiative, known as “Literacy Launch.” This program was included in the House budget at \$30 million and is intended to support the adoption of evidence-based practices and high-quality literacy education materials in classrooms across the state.
- \$7.5 million for the development of a statewide birth through higher education framework for mental and behavioral health, originally proposed in the Governor’s budget and funded at \$5 million.
- \$5 million for the expansion of early college and innovation pathways programs.

Higher Education

The Senate funds the public higher education sector at \$1.98 billion, a \$144.2 million (7.8 percent) increase over FY 2024, \$12.4 million (0.6 percent) more than the Governor, and \$72.1 million (3.8 percent) more

than the House. Increased funding for higher education in the SWM budget is driven primarily by their proposal to implement a free community college system and increase support for financial aid expansion.

FY 2025 Higher Education Spending by Sector & Program

Category	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Community Colleges	\$348.8	\$384.2	\$388.1	\$384.5
State Universities	\$338.7	\$369.4	\$372.8	\$370.3
University of Massachusetts	\$692.9	\$765.9	\$774.6	\$765.9
Scholarship Programs	\$198.4	\$198.0	\$194.7	\$202.3
<i>Community College SUCCESS Fund</i>	<i>\$14.0</i>	<i>\$14.0</i>	<i>\$14.1</i>	<i>\$18.3</i>
<i>Massachusetts State Scholarship Program</i>	<i>\$175.7</i>	<i>\$175.2</i>	<i>\$171.8</i>	<i>\$175.2</i>
Other Higher Education	\$33.9	\$27.0	\$25.5	\$30.4
Income Surtax Spending - Higher Ed	\$229.0	\$229.0	\$158.0	\$232.5
<i>Financial Aid Expansion</i>	<i>\$84.0</i>	<i>\$80.0</i>	<i>\$80.0</i>	<i>\$105.0</i>
<i>MassReconnect</i>	<i>\$20.0</i>	<i>\$24.0</i>	<i>\$24.0</i>	<i>\$0.0</i>
<i>Higher Education Capital Funding</i>	<i>\$50.0</i>	<i>\$125.0</i>	<i>\$10.0</i>	<i>\$0.0</i>
<i>Targeted Scholarships</i>	<i>\$25.0</i>	<i>\$0.0</i>	<i>\$10.0</i>	<i>\$0.0</i>
<i>DHE Endowment Match</i>	<i>\$10.0</i>	<i>\$0.0</i>	<i>\$10.0</i>	<i>\$0.0</i>
<i>UMass Endowment Match</i>	<i>\$10.0</i>	<i>\$0.0</i>	<i>\$10.0</i>	<i>\$0.0</i>
<i>Free Community College Implementation Supports</i>	<i>\$12.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
<i>Nursing Programs Free Community College</i>	<i>\$18.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
<i>State University SUCCESS</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$14.0</i>	<i>\$0.0</i>
<i>Free Community College</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$117.5</i>
<i>Community College & State University Supports</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$10.0</i>
Total Funding	\$1,841.7	\$1,973.5	\$1,913.8	\$1,985.9

\$ in millions

Cost-Free Community College

The SWM budget includes \$117.5 million in total funding to support the implementation of a cost-free community college system. This amount includes funding for the MassReconnect program (\$24 million), free nursing programs at community colleges (\$18 million), and the additional funding required to expand cost-free community college to all students (\$75.5 million).

The proposal will cover tuition and fee costs for all students beginning in the fall of 2025, and provide additional stipends of up to \$1,200 for students whose income is less than 125 percent of the state median income (SMI) to cover the costs of books, supplies, and other necessities. Pell-eligible students that already receive state financial aid for these costs will also be eligible for the stipend, potentially receiving up to \$2,400 per year.

Through an outside policy section, the Senate also limits annual increases in community college tuition and fees to 4.5 percent; with the intention of limiting future state costs of covering tuition and fees for all students. Complete descriptions of the policy sections related to free community college are at the end of this report.

Student Support & Scholarship Programs

The SWM budget dedicates a total of \$317.5 million for the maintenance and expansion of several programs that provide wrap-around student supports and scholarships. These investments include:

- **Student Persistence Fund** (\$10 million) – A newly created program for state universities and community colleges to support higher education persistence and degree completion. The program will help students cover unanticipated costs that may prevent them from successfully continuing their education, including: transportation, food security, housing, and child care.
- **Community College SUCCESS Fund** (\$18.3 million) – The Senate increases funding for the SUCCESS Fund by \$4.3 million over FY 2024, allowing the program to continue to support students facing barriers to degree completion.
- **Financial Aid Expansion** (\$105 million) – The SWM budget funds financial aid expansion at \$105 million, an increase of \$21 million over FY 2024, and \$35 million greater than the Governor and House. This funding will continue to support the MassGrant Plus program, which covers tuition and fee costs for all Pell-eligible students enrolled in the community college, state university, or University of Massachusetts system.
- **Scholarship Reserve** (\$175.2 million) – The state’s primary scholarship reserve is funded in the SWM budget at \$175.2 million, level with the Governor’s budget and a \$3.4 million increase over the House. Within the scholarship reserve, the Senate dedicates \$5 million for early educator scholarships.

Other notable investments in the SWM budget for higher education include:

- **State Universities** (\$366.4 million) – The SWM budget includes a total of \$366.4 million for state university campus operations, an increase of \$32.8 million over the FY 2024 GAA and \$910K more than the Governor and House. In FY 2025, this funding increase is primarily driven by the annualization of collective bargaining agreements. In addition, the Senate funds the Massachusetts State University formula at \$3.7 million, level with the Governor and \$3.7 million less than the House.
- **University of Massachusetts** (\$760.6 million) – The University of Massachusetts system is funded at \$760.6 million in the SWM budget, level with the Governor and \$10 million less than the House. In addition to this campus operating support, the SWM budget includes \$5.3 million for various UMass campus centers and institutions.

Income Surtax Investments

The higher education sector is supported by \$232.5 million of surtax-generated revenue, which comprises 18 percent of all surtax investments in the SWM budget. The SWM budget includes:

- \$117.5 million for the implementation of a free community college system.
- \$105 million for financial aid expansion.
- \$10 million for community college and state university wraparound student supports.

The SWM budget does not reflect the Governor’s proposal to dedicate \$125 million of income surtax revenue towards higher education capital needs, nor the House’s proposal to create a State University SUCCESS Grant program, modelled after the community colleges.

MTF Key Question: Does the Senate adopt the Governor’s proposal to dedicate a portion of surtax revenues towards education capital needs?

No. The SWM budget does not dedicate surtax resources towards higher education capital needs, instead prioritizing investments in college affordability and access. The Senate’s proposal also excludes an outside policy section, included by the Governor and House, which would create a working group to assess the feasibility of using surtax revenues to improve public higher education infrastructure in Massachusetts. Moving forward, MTF supports the inclusion of this working group in the final budget. Developing a plan to use surtax revenues in support of long-term capital needs can help ensure that these resources are being used sustainability and for both long- and short-term priorities.

Workforce & Career Readiness

Across the 16 state agencies and 43 programs that MTF tracks to assess workforce and career readiness-related spending, the SWM budget includes \$511.1 million in total funding. This represents an increase of \$11.3 million (2.3 percent) over the FY 2024 GAA, a decrease of \$21 million (3.9 percent) compared to the Governor, and \$26.2 million (4.9 percent) below the House.

To assess workforce spending trends, MTF organizes programs into three categories: Individual Workforce Training programs, Sector-Based programs, and Training Opportunities for State-Serving Populations.

FY 2025 Workforce Spending by Sector

Category	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Sector-Based	\$68.8	\$57.4	\$58.3	\$39.0
<i>STEM Starter Academy</i>	\$4.8	\$3.6	\$4.8	\$0.0
<i>Workforce Competitiveness Trust Fund</i>	\$10.0	\$10.0	\$10.0	\$5.0
<i>Workforce Development Grant</i>	\$3.0	\$2.5	\$0.0	\$2.5
<i>Provider Higher Education</i>	\$10.0	\$10.0	\$10.0	\$0.0
Training Opportunities for State Populations	\$304.6	\$348.0	\$348.3	\$347.8
<i>Community Day and Work Programs</i>	\$243.2	\$288.0	\$288.0	\$288.0
Individual Workforce Training	\$126.5	\$126.7	\$130.7	\$124.4
<i>Adult Basic Education</i>	\$60.5	\$59.4	\$61.1	\$59.4
<i>School-to-Career Connecting Activities</i>	\$7.8	\$7.3	\$8.5	\$7.3
<i>Summer Jobs Program for At-Risk Youth</i>	\$16.2	\$15.7	\$16.4	\$15.7
Total Spending	\$499.8	\$532.1	\$537.3	\$511.1

\$ in millions

Notable workforce investments in the SWM budget include:

- **Workforce Competitiveness Trust Fund** (\$5 million) – The SWM budget includes a \$5 million transfer to the Workforce Competitiveness Trust Fund, \$5 million less than the transfer included in the FY 2024 GAA, or by the Governor and House. In combination with the existing balance of the trust fund and unexpended federal funding, the additional transfer of \$5 million in the SWM proposal intends to fully fund all of the commitments from the WCTF in FY 2025.

- **School to Career Connecting Activities** (\$7.3 million) – School to Career Connecting Activities support public-private partnerships between DESE and employers to provide work-based learning experiences, career development services, and career exploration activities to high-school students. This item is funded at \$7.3 million in the SWM budget, level with the Governor and \$1.1 million less than the House.
- **Workforce Development Grants** (\$2.5 million) – The Workforce Development Grant program, administered by the Massachusetts Technology Collaborative, supports organizations that provide advanced manufacturing training program for underemployed and unemployed individuals. The SWM budget funds this program at \$2.5 million, level with the Governor. It was unfunded in the House budget.

The SWM budget excludes funding for STEM Starter Academies, included in the House budget at \$4.8 million. STEM Starter Academies provide support services for students at Massachusetts community colleges interested in STEM majors and careers. They encourage collaboration between institutions of higher education and employers, and support the workforce needs of in-demand fields.

Transportation

The SWM budget includes \$1.33 billion in total funding for the MBTA, MassDOT, Regional Transit Authorities (RTAs), and other transportation programs in FY 2025. This figure includes \$770.7 million in base-funding and \$565 million in surtax-supported spending; it does not include the \$1.5 billion pre-budget transfer of sales tax revenues to the MBTA.

FY 2025 Transportation Spending

Category	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	FY 2025 - SWM
Transfer to MassDOT	\$523.0	\$528.0	\$478.4	\$478.0
Transfer to MBTA	\$187.0	\$187.0	\$188.0	\$187.0
Transfer to RTAs	\$94.0	\$94.0	\$94.0	\$94.0
Other Transportation	\$11.7	\$11.7	\$11.7	\$11.7
Base Transportation Funding	\$815.7	\$820.7	\$772.1	\$770.7
Income Surtax Spending (CTF Fund)	\$0.0	\$250.0	\$250.0	\$250.0
<i>Supplemental Transfer to MassDOT</i>	<i>\$0.0</i>	<i>\$60.0</i>	<i>\$60.0</i>	<i>\$60.0</i>
<i>Supplemental Transfer to MBTA</i>	<i>\$0.0</i>	<i>\$127.0</i>	<i>\$127.0</i>	<i>\$127.0</i>
<i>CTF Debt Service</i>	<i>\$0.0</i>	<i>\$63.0</i>	<i>\$63.0</i>	<i>\$63.0</i>

\$ in millions

Category (spending cont.)	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	FY 2025 - SWM
Income Surtax Spending (Other)	\$476.5	\$300.0	\$355.0	\$315.0
<i>Federal Matching Funds</i>	\$25.0	\$0.0	\$0.0	\$0.0
<i>Highway Bridge Preservation</i>	\$50.0	\$0.0	\$0.0	\$0.0
<i>MBTA Capital Investments</i>	\$180.8	\$0.0	\$75.0	\$0.0
<i>MBTA Means Tested Fares</i>	\$5.0	\$45.0	\$20.0	\$23.0
<i>MBTA Workforce/Safety Reserve</i>	\$20.0	\$0.0	\$65.0	\$0.0
<i>Regional Transit Funding and Grants</i>	\$90.0	\$75.0	\$90.0	\$120.0
<i>Roads & Bridges Supplemental Aid</i>	\$100.0	\$124.0	\$25.0	\$125.0
<i>Roadside Maintenance and Beautification</i>	\$0.0	\$0.0	\$0.0	\$0.0
<i>Water Transportation</i>	\$5.7	\$0.0	\$5.0	\$7.5
<i>Safety, Service, and Sustainability</i>	\$0.0	\$56.0	\$0.0	\$0.0
<i>MBTA Academy</i>	\$0.0	\$0.0	\$40.0	\$0.0
<i>MBTA Resilient Rails</i>	\$0.0	\$0.0	\$35.0	\$0.0
<i>Municipal Small Bridges and Culverts</i>	\$0.0	\$0.0	\$0.0	\$15.0
<i>Commuter Rail Capital Improvements</i>	\$0.0	\$0.0	\$0.0	\$24.5
Total Spending	\$1,292.2	\$1,370.7	\$1,377.1	\$1,335.7

\$ in millions

MBTA

Operating support for the MBTA in FY 2025 totals \$314 million under the SWM proposal, level with the Governor’s budget, but \$1 million less than the House. This funding level includes a \$187 million base operating transfer, plus an additional \$127 million that flows through the Commonwealth Transportation Fund (CTF) and is supported by surtax revenue. In contrast to the House budget, which directed an additional \$240 million in surtax-supported investments towards the MBTA, the Senate includes \$47.5 million for two new initiatives:

- \$23 million for MBTA means tested fares, a \$3 million increase over the House.
- \$24.5 million for commuter rail capital improvements.

MassDOT

The SWM budget includes \$478 million in base operating funding for MassDOT in FY 2025, which is supplemented by a \$60 million transfer from the CTF, supported by income surtax revenues. Following the House, the Senate reduces base funding for MassDOT by \$50 million compared to the Governor’s budget. The entirety of this reduction is related to the exclusion of funding for snow and ice removal.

Regional Transit Authorities

In FY 2025, the Senate’s spending plan includes a \$94 million base operating transfer to the Regional Transit Authorities; level with FY 2024, the Governor, and the House. In accordance with outside section language, this funding will be distributed as follows: \$90.5 million based on FY 2024 distributions; and \$3.5 million based on a formula that considers ridership, the populations of member communities, and service area.

In addition, the SWM budget includes a \$120 million investment of income surtax revenues for RTAs. Line-item language specifies that:

- \$66 million of this amount will be used in support of operational enhancements and improvements;
- \$40 million shall be used to support grants for fare-free service;
- \$10 million will be for grants to create alternate service routes; and
- \$4 million shall be used for grants to support expanded mobility options for older adults, people with disabilities, and low-income individuals.

Income Surtax Investments

In FY 2025, the SWM budget includes \$565 million in total surtax-supported spending for transportation. Most notably, the Senate follows in the footsteps of the Governor and House to transfer \$250 million in surtax revenue directly to the Commonwealth Transportation Fund (CTF). As described in earlier reports, the creation of a permanent automatic deposit into the CTF allows the state to accomplish two goals:

1. It will allow the state to increase its borrowing capacity by up to \$1.1 billion for transportation-related capital projects by expanding the ongoing revenue base of the CTF and improving the fund's debt-coverage ratio; and
2. It will immediately increase the resources that are available to support MassDOT, the MBTA, and other transportation-related initiatives.

In FY 2025, the additional \$250 million investment is directed towards MBTA operations (\$127 million), MassDOT operations (\$60 million), and debt service (\$63 million). This distribution is the same in the Governor's and House budgets.

The remaining \$315 million in transportation-related surtax spending includes:

- \$125 million for supplemental aid for local roads and bridges, \$62.5 million of which will be distributed using a formula based on each municipalities share of road mileage.
- \$120 million for Regional Transit Authorities.
- \$23 million for an MBTA means-tested fares program.
- \$24.5 million for commuter rail capital improvements.
- \$15 million for upgrades to municipally owned small bridges and culverts.
- \$7.5 million for ferry services.

MTF Key Question: Does the Senate adopt the proposal to permanently direct \$250 million of income surtax revenue towards the Commonwealth Transportation Fund?

Yes. The SWM budget includes the proposal to permanently dedicate \$250 million of income surtax revenues to the Commonwealth Transportation Fund. While the Senate's plan does not include the same outside language as the House specifically allocating these resources towards the MBTA, MassDOT, and future debt service costs; the distribution of them in the SWM budget appears the same. Importantly, the automatic deposit of these resources into the fund will allow the state to expand its borrowing capacity by up to \$1.1 billion over the next 5 years.

Housing

The SWM budget includes \$1.14 billion in total funding for housing-related programs in FY 2025, a \$66 million (6.2 percent) increase over the FY 2024 GAA, a \$4.5 million (0.4 percent) increase over the Governor, and \$9.7 million (0.8 percent) less than the House.

FY 2025 Housing Investments

Category of Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Housing Stabilization & Homelessness Prevention	\$517.3	\$542.1	\$542.5	\$542.0
<i>Emergency Assistance Family Shelters & Services</i>	\$325.3	\$325.3	\$325.3	\$325.3
Housing Financial Assistance	\$405.5	\$449.3	\$449.5	\$451.8
<i>Accessible Affordable Housing Grants</i>	\$2.5	\$0.0	\$0.0	\$2.5
<i>Massachusetts Rental Voucher Program</i>	\$179.6	\$219.0	\$219.2	\$219.0
Counseling & Education Services	\$10.5	\$8.8	\$8.8	\$9.0
Public Housing	\$108.3	\$113.3	\$113.3	\$116.3
<i>Subsidies to Public Housing Authorities</i>	\$107.0	\$112.0	\$112.0	\$115.0
Other Housing	\$32.0	\$22.0	\$35.6	\$21.0
<i>Shelter Workforce Assistance</i>	\$10.0	\$0.0	\$10.0	\$0.0
Total Spending	\$1,073.6	\$1,135.5	\$1,149.7	\$1,140.0

\$ in millions

Emergency Assistance Shelter System

The Senate's spending bill includes a \$325 million appropriation for the Emergency Assistance (EA) shelter system in FY 2025, level with FY 2024, the Governor, and the House. While this funding level represents less than half of the projected cost of the EA program² in FY 2025, the Legislature recently agreed to a compromise supplemental budget that would provide additional funding for the program in FY 2024 and FY 2025.

In total, the supplemental budget allows for up to \$426 million from the Transitional Escrow Fund to be used in support of EA program costs, including \$251 million for FY 2024 and up to \$175 million for FY 2025. In combination with the \$325 million operating budget appropriation, this would make \$500 million available for the EA program in FY 2025.

Estimated Emergency Assistance Shelter System Spending in FY 2025

FY 2025 EA Program Estimated Spending	\$915
<i>FY 2025 SWM Budget Appropriation</i>	\$325
<i>Available Transitional Escrow Fund Resources</i>	\$175
Total Available Resources	\$500
FY 2025 Projected Deficiency in SWM Budget	(\$415)

\$ in millions

² According to the April 8, 2024 biweekly report on the Emergency Housing Assistance Program, in FY 2025 the projected costs of the EA program at \$915 million.

The supplemental budget agreement also includes a provision to limit the amount of time that families are eligible to remain in the shelter system to nine months, with certain families able to remain in shelter for 12 months. While the exact savings associated with the time limits are unknown, it is possible that they may reduce the projected costs of the program and therefore the projected deficiency.

Other Housing Investments:

- **Accessible Affordable Housing Grants** (\$2.5 million) – The SWM budget includes \$2.5 million for a program to provide capital grants to improve or create accessible, affordable housing units for individuals with disabilities. This program was funded at \$2.5 million in the FY 2024 GAA, but excluded by the Governor and House.
- **Massachusetts Rental Voucher Program** (\$219 million) – Funding for the MRVP program is increased by \$39.4 million (22 percent) over the FY 2024 GAA and it level with the Governor and House. This funding level is expected to support the continuation of over 750 new MRVP vouchers released last year.
- **Shelter Workforce Assistance** (\$0) – The SWM budget eliminates funding for Shelter Workforce Assistance, funded in the FY 2024 GAA and House budget at \$10 million. Funding for this item in the House budget was split between \$5 million for family shelters and \$5 million for individual shelters.

Energy & Environment

The SWM budget funds the Executive Office for Energy and Environmental Affairs and its departments at \$530 million, a decrease of \$27.9 million (5 percent) compared to FY 2024, \$42 million (7.4 percent) less than the Governor, and \$47.4 million (8.3 percent) less than the House.

FY 2025 Climate, Energy, and Environmental Funding

Department	FY 2024 GAA	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Exec. Office of Energy & Environ. Affairs	\$194.4	\$173.1	\$173.5	\$145.7
Dept. of Agricultural Resources	\$52.2	\$74.8	\$77.1	\$64.5
Dept. of Conservation and Recreation	\$157.3	\$159.1	\$162.2	\$159.2
Dept. of Energy Resources	\$5.5	\$7.0	\$6.9	\$5.8
Dept. of Environmental Protection	\$84.4	\$86.7	\$86.3	\$86.1
Dept. of Fish and Game	\$41.2	\$45.1	\$45.4	\$42.6
Dept. of Public Utilities	\$23.1	\$26.4	\$26.2	\$26.2
Grand Total	\$557.9	\$572.2	\$577.7	\$530.0

\$ in millions

Notable funding levels across the secretariat include:

- **Emergency Food Assistance** (\$42.1 million) – In FY 2025, SWM prioritizes funding increases for the Massachusetts Emergency Food Assistance Program (MEFAP), including \$42.1 million for the program. This represents an increase of \$5.7 million over FY 2024, and \$5 million over the Governor’s and House budgets.

- **Food Security Infrastructure Grants** (\$10 million) – The SWM budget includes \$10 million for Food Security Infrastructure Grants in FY 2025, \$15.3 million less than the Governor and House budgets.
- **Transfer to the Massachusetts Clean Energy Center** (\$5 million) – The Transfer to the MassCEC is included in the SWM budget at \$5 million, \$25 million less than the FY 2024 GAA, Governor, and House. This reduction may reflect the possibility for future action on an economic development bond bill, which includes an array of climatetech and clean energy investments and is likely to be considered by the Legislature this summer.

FY 2025 Outside Policy Sections

The Senate Ways and Means FY 2025 budget proposal includes 113 outside policy sections, one more than the Governor and four more than HWM.

FY 2025 SWM Budget Outside Section Comparison

	FY 2024 SWM	FY 2024 Conference	FY 2025 Governor	FY 2025 HWM	FY 2025 SWM
Policy Sections	57	112	112	109	113

Like those two previous budget proposals, SWM significantly increases the number of sections compared to their FY 2024 budget, when just 57 sections were included.

There is a significant overlap in policy proposals in the SWM, HWM and administration budgets, with more than 65 sections common to all three. The SWM budget includes 24 sections unique to their bill, compared to 19 unique HWM sections and just 10 unique sections in the Governor’s budget.

Notable policy sections included in the SWM budget are detailed by policy area below. Notable proposals not in the SWM budget include the legalization of an online lottery, elimination of certain MassHealth copays, and the creation of a disaster relief fund capitalized with excess capital gains revenue.

Tax Policy

Internal Revenue Code Conformity (SWM sections 45 & 110, House sections 39 & 106; Gov. section 43) – This section aligns state tax law with the Internal Revenue Code in effect as of January 1, 2024. Under current law, the state conforms to the IRC as of January 2022. The same policy was included in the House and Governor’s budget.

Interest on Savings in Massachusetts Banks (SWM sections 46 & 110, House sections 40 & 106; Gov. sections 44 & 108) – This section would repeal the income deduction of interest and dividends earned from savings accounts. In FY 2024, this deduction was valued at \$4.5 million. This section is effective as of January 1, 2024. The same policy was included in the House and Governor’s budget.

Title V Septic Credit Clarification (SWM section 47; Gov. section 45) – This section amends the state’s septic tank tax credit, recently increased in 2023 tax relief legislation. It clarifies that upgrades and connections to sewer systems are eligible for the credit. The section also clarifies the state regulations that

must be adhered to in order to be eligible. This section was included in the Governor’s budget, but not in the House budget.

Joint Filer Requirement (SWM sections 48 & 110, House section 41; Gov. section 46) – This section undoes the recent requirement that married couples file in the same form at both the state and local level for couples with income under \$8,000. This change is proposed because the recent provision, without exemption, would have had negative tax consequences for low-income filers. The same policy was included in the House Governor’s budget.

Tax Exempt Organization Publication Taxation (SWM sections 49 & 111; House sections 42 & 107; Gov. sections 48 & 109) – This section eliminates the sales tax exemption for publications of non-profit entities. In FY 2024, this exemption was valued at \$23 million. This section is included in both the House and Governor’s budget, though the House budget exempts organizations that produces materials for the blind or sight-impaired.

Tax Amnesty (SWM sections 90, House section 84; Gov. section 91) – This section establishes a 60-day tax amnesty program, applying to returns due before the end of 2024 and with a potential lookback period of four years. The provisions of the program are to be established by DOR but may apply to returns not filed, not filed in a timely manner, or in which the full amount of an estimated payment was not remitted. Taxpayers who utilize the program would be prohibited from utilizing another tax amnesty program for 10 years. The same policy was included in the House and Governor’s budget.

Surtax Policy

Dedication of Surtax Revenues (SWM sections 30 through 34, & 77; House sections 30 & 32 through 36; Gov sections 24 through 30) – Like the House and the Governor, SWM dedicates \$250 million in surtax collections directly to the Commonwealth Transportation Fund without appropriation. This CTF dedication allows for operational transportation expenditures, while also increasing the CTF’s bonding ability to support capital spending. Unlike the House, the SWM budget does not permanently define the breakdown as to how the \$250 million will be used. SWM eliminates language, included in the FY 2023 budget that would make surtax spending subject to 9C reductions. The House and Governor did not eliminate this language.

Health Care

Discussion of policy changes related to insurer and provider assessments can be found in the **MassHealth & Healthcare** spending section of this brief.

MassHealth Expanded Rebate (SWM section 52; Governor section 60; not included in House budget) – This section would expand MassHealth’s drug rebate program to medical devices and pharmaceuticals not currently eligible. This language was also included in the Governor’s budget, but not in the House. The SWM and Administration budgets have included this language for the past several years.

MassHealth Standing Order (SWM section 65; House section 64; Gov. section 73) – This section authorizes a standing order for physicians to prescribe prenatal vitamins and oral contraceptives for MassHealth and Health Safety Net clients. The same policy was included in the House and administration budgets.

Higher Education

Tuition Free Community College (SWM section 13; not in House or Gov. budget) – This section creates a free community college program in statute. In order to be eligible for the program, students must meet five criteria, including not having previously earned a degree, have applied for federal financial aid, and have resided in the Commonwealth for at least a year. Eligible students will not be responsible for tuition and fees.

Under the program:

- The Commonwealth will cover all tuition and fee costs for eligible students, once financial aid is accounted for;
- Public community college students with a household income at or below 125 percent of the state median income are entitled to an allowance for books and supplies;
- Annual community college tuition and fee increases are capped at the rate of inflation or 4.5 percent, whichever is lower;
- The Department of Higher Education (DHE) is required to develop a performance or outcome based funding formula for a portion of the annual community college appropriation. The formula, to be developed in consultation with the community colleges and other stakeholders, is to be updated every six years; and
- Community colleges are required to provide cost and other data necessary to implement the program.

Public Higher Education Transfer Program (SWM sections 15 and 107; not in House or Gov. budget) – These sections create a MassTransfer program to allow students to transfer credits easily between public higher education schools and segments. DHE will create the program in consultation with a newly created Steering Committee, which is comprised of public higher education presidents, faculty, students, registrars and members of the business community. The Steering Committee must be appointed within 60 days of the effective date of the budget and the MassTransfer website must be active within one year.

As part of the proposal, the Board of Higher Education is directed to create a common public higher education course numbering system for lower-division courses to improve the credit transfer process.

Higher Education Quality and Affordability Commission (SWM section 106; not in House or Gov. budget) – This section creates a 17 member commission to examine existing state assistance programs for higher education, student costs, and programs designed to improve student success and reduce costs. The commission will make recommendations on ways to reduce barriers to higher education success.

Early Education

Senate Early Education Legislation (SWM sections 16 through 21, 41, 80 through 83 and 113; not in House or Gov. budget) – The SWM budget includes twelve policy sections taken from the Senate’s recently engrossed early education legislation (S.2707). The provisions included in the SWM budget:

- Update and expand the state’s Child Care Financial Assistance system (CCFA). These sections:
 - Update CCFA terminology;
 - Create a rate structure for CCFA providers based on the cost of care;
 - Set statutory caps on CCFA fees for families based on income;

- Specify how the Department of Early Education and Care should prioritize access for eligible children with family income of 85 percent of SMI or less; and
- Create a process for the state to expand CCFA access, subject to appropriation, up to 125 percent of SMI.
- Codify the child care operational grant program (C3). This section:
 - Defines what C3 grants can be used for;
 - Requires that the C3 formula developed by EEC take into account a number of factors including children served, compensation, demographics, cost of care, geographic equity and methods to incentivize the filling of existing gaps in care;
 - Requires that participating providers demonstrate willingness to enroll CCFA children and provide data requested by EEC;
 - Caps the amount of EEC grants that can go to for-profit providers with more than 10 center-based locations at 1 percent of the total funding level and places on them additional usage and reporting requirements;
 - Directs EEC to have in place a C3 formula that prioritizes providers with the largest number of CCFA and high needs children; and
 - Requires EEC to annually report on the program, its formula, distribution, and impact.
- Require EEC to create an early education and care career ladder which will include recommended salaries for early education positions that are commensurate with those of similarly trained and credentialed public education teachers. The salary recommendations would be reviewed and updated annually. The ladder must be in place by October 31, 2024.
- Require several early education reports:
 - A methodology to calculate and assess the cost of providing high-quality early education and care;
 - Recommendations on how to increase employer supported child care, including assessment on the requirement to provide child care and the feasibility of assessing employers for the cost of child care; and
 - A report on the department's proposed formula for C3 grants.

Family child care zoning (SWM section 41; not in House or Gov. budget) – This section eliminates local ability to adopt special zoning rules to prohibit or limit the ability of property to be used as a family child care or large family child care home.

Revenue

Excess Capital Gains (SWM section 89; House section 90; Gov. section 86) – This section allows ANF to use up to \$375 million in FY 2025 excess capital gains collections to support General Fund spending. Without this section, these revenues would be dedicated to the Stabilization Fund. In FY 2025, capital gains revenues are projected to exceed the threshold by \$513 million. The same policy was included in the House and Governor's budget. The SWM budget does not propose changing the ongoing distribution of capital gains revenues over the threshold, as proposed by Governor Healey or the House. The Senate previously proposed amending the ongoing distribution of excess capital gains revenue through legislation passed earlier this session, which would leverage interest earned on the Stabilization Fund to allow the Commonwealth to access federal infrastructure funding.

Gaming Distribution (SWM sections 25 & 26; House section 77; Gov. section 88) – The SWM budget proposes permanently changing the distribution of gaming funds to redirect \$100 million in annual revenues to the General Fund. The Governor and the House also redirected gaming revenues but did so only for FY 2025. Each budget differs slightly in the proposed redistribution of gaming revenues.

In addition to the permanent change in the distribution of casino gaming revenues, SWM also proposes reducing the horse race development fund surcharge applied to the state’s slots gaming facilities from 9 percent to 4.5 percent.

Comparison of Gaming Distribution

	Standard	FY 2025 - Governor	FY 2025 - House	FY 2025 - SWM
Gaming Local Aid	20.0%	32.0%	30.1%	32.0%
Transportation Infrastructure	15.0%	20.8%	20.6%	20.8%
Education Fund	14.0%	19.4%	19.4%	19.4%
Gaming Economic Development	9.5%	13.2%	13.2%	13.2%
Local Capital Projects	4.5%	6.1%	6.2%	6.1%
Community Mitigation	6.5%	3.0%	0.0%	0.0%
Public Health	5.0%	2.5%	5.0%	5.5%
MCC	2.0%	2.0%	2.0%	2.0%
Mass. Tourism Fund	1.0%	1.0%	1.0%	1.0%
Stabilization Fund	10.0%	0.0%	0.0%	0.0%
Debt Reduction	10.0%	0.0%	0.0%	0.0%
Racehorse Development	2.5%	0.0%	2.5%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Debit card lottery purchase (SWM section 7 not in House or Governor budget) – this section allows debit cards to be used for lottery sales. The SWM budget assumes that this change will increase lottery revenues by \$25 million annually.

Transportation

Regional Transit Authority Funding Formula (SWM section 102; House section 73; Gov. section 92) – This section defines the RTA operating subsidy as \$160 million, with \$90.5 million of that amount to be distributed based on the prior year awards. Of the remaining amount, \$3.5 million is to be distributed based on a formula that considers ridership, service area, and population. This language is very similar to language included in the FY 2024 SWM budget. The House and Governor’s budgets also include RTA formula sections, but the operating subsidy and requirements on distribution differ.

Paid Family & Medical Leave

PFML Administrative Costs (SWM section 71; House section 67; Gov. section 78) – This section caps administrative costs for the Department of Family and Medical Leave at 5 percent of the fund balance at the end of the prior year, but prohibits the amount available for administration from decreasing by more

than 5 percent in a year. Currently, administrative costs are set at 5 percent of deposits in a given year. The same policy was included in the House and Governor’s budget.

Other

MCI Concord (SWM sections 66 & 86; House sections 65 & 76; Gov. sections 74 & 107) – These sections effectuate the closure of MCI Concord and allow DCAMM to lease MCI Concord property for a term of up to 99 years. The SWM language includes language added by the House during debate which requires the state to engage in a prescribed process with local stakeholders to develop a plan for the reuse of the area. That process, which would include public hearings and a comprehensive report, would have to precede a transfer or sale of the property by at least 60 days. The 60 day requirement would not apply to conveyances or easements to the Town of Concord or MassDOT.

Gender Identity (SWM sections 42 through 45, 50, 78 & 79; Gov. sections 40 through 42; not included in House budget) – The Senate includes sections that would allow citizens to change their gender identity on birth certificates, marriage licenses, drivers licenses and other state issued forms of identification. In addition, SWM requires that ANF develop a plan to allow all state forms that ask for gender information to include an option other than male or female. Finally, the Senate includes language requiring various state agencies to develop and distribute materials to inform young adults of options regarding gender designation on state documents. The Governor’s budget included language allowing for gender identity changes on marriage and birth certificates.

School Building Authority Commission (SWM section 84; not included in House or Gov. budgets) – This section creates a 22-member commission to study the state’s School Building Authority program and make recommendations to change the reimbursement formula and other aspects of the program. The commission’s report and recommendations would be due on June 1, 2026.

Corrections Commission (SWM section 85; not included in House or Gov. budgets) – This section creates a commission to study the feasibility of consolidation or improved coordination among the Department of Correction, the sheriffs, the Parole Board, and the Office of Community Corrections. The commission, made up of seven voting and eleven non-voting members, is to consider a variety of factors impacting the feasibility and efficacy of any recommendations. The commission’s report is due on September 30, 2026.

Bottom Line

The SWM Committee has proposed a \$57.99 billion spending plan for FY 2025, increasing spending over FY 2024 by \$1.9 billion (3.4 percent). Coming out of committee, the SWM budget includes \$142.2 million less in spending than the Governor and \$80.4 million less than the House final. Compared to the HWM budget, the two spending plans are essentially equal, with the Senate spending only \$15.4 million more than the House before debate.

In key priority areas, the SWM budget is consistent with the administration and House: maintaining funding for the C3 Operational Grants Program at \$475 million, fully funding the fourth year of SOA implementation, dedicating \$250 million of income surtax resources towards the Commonwealth Transportation Fund to support both short- and long-term transportation funding goals, and proposing substantial reforms to the state’s hospital and payor assessment structures. However, the Senate’s plan also

reflects unique priorities, most notably a \$117.5 million investment to implement a cost-free community college system.

The SWM budget also adheres to several key priorities put forward by MTF for FY 2025:

- Overall spending growth of 3.4 percent over the FY 2024 GAA, consistent with expected revenue growth of 3.5 percent.
- One-time resources are limited to \$965 billion, less than the \$1.1 billion used by the Governor and the \$1 billion relied upon by the House.
- The balance of the Stabilization Fund grows by \$124.5 million, with the Senate's spending plan proposing the largest deposit into the fund for FY 2025.

Senators have until Friday, May 10th at 2 pm to file amendments to the SWM budget. In FY 2024, the Senate added \$82.2 million in new spending on the floor after 478 amendments were adopted, 415 were rejected, and 156 were withdrawn from consideration. Approximately 87 percent (\$71.8 million) in new spending was related to earmarks; while 12.5 percent (\$10.3 million) was for programmatic increases or new line-items.