



333 Washington Street | Suite 853 | Boston, MA 02108 | 617.720.1000  
[www.masstaxpayers.com](http://www.masstaxpayers.com)

## MTF Bulletin

January 22, 2025

### Governor Healey’s Fiscal Year 2026 Budget

Today, the Healey-Driscoll administration released its Fiscal Year (FY) 2026 budget proposal. The \$62 billion spending plan increases spending over the FY 2025 GAA by \$4.3 billion (7.4 percent) and over the administration’s estimated spending level of \$60.256 billion by \$1.8 billion (2.1 percent). Spending increases are reflected in the healthcare, education, and transportation sectors driven by non-discretionary cost increases and investments supported by the income surtax. To support this level of spending, despite expectations for limited revenue growth, the Governor’s budget utilizes approximately \$1.94 billion in one-time and ongoing revenue generating-initiatives, including twelve tax policy proposals.

The administration has also filed its proposal to spend \$1.32 billion in surplus surtax revenue currently held in the Education and Transportation Innovation & Capital Fund. In the relevant spending sections below, this report summarizes those investments and discusses how they relate to the Governor’s operating budget recommendations. In the coming weeks, MTF will publish additional research on the surtax supplemental budget and the impact of FY 2026 surtax spending across the education and transportation sectors.

#### Budget Overview

The Governor’s FY 2026 budget proposal recommends \$62.07 billion in total spending, a \$4.29 billion (7.4 percent) increase over the FY 2025 GAA. Non-surtax spending totals \$59.58 billion, a \$3.79 billion (6.8 percent) increase over the prior year and \$1.5 billion (2.6 percent) greater than the administration’s reported estimate for FY 2025 spending. After accounting for \$7.65 billion in statutorily required transfers, the Governor’s budget includes \$69.73 billion in total spending commitments.

*Governor Healey’s FY 2026 Spending Overview*

	FY 2024 GAA	FY 2025 GAA	FY 2026 Governor	\$ v. FY 2025 GAA	% v. FY 2025 GAA
Line-Item Spending	\$54,558.1	\$55,779.3	\$59,577.3	\$3,798.0	6.8%
Surtax Spending	\$1,000.0	\$1,300.0	\$1,950.0	\$650.0	50.0%
Medical Asst. Trust Fund	\$505.0	\$682.2	\$547.6	-\$134.6	-19.7%
B.H. Outreach, Access, Support	\$0.0	\$20.0	\$0.0	-\$20.0	-100.0%
<b>Total Line-Item Spending</b>	<b>\$56,063.1</b>	<b>\$57,781.5</b>	<b>\$62,074.9</b>	<b>\$4,293.4</b>	<b>7.4%</b>
Pre-Budget Transfers	\$6,898.9	\$7,297.4	\$7,651.0	\$353.6	4.8%
Other Off-Budget	\$0.0	\$200.0	\$0.0	-\$200.0	-100.0%
<b>Total Spend</b>	<b>\$62,962.0</b>	<b>\$65,258.9</b>	<b>\$69,725.9</b>	<b>\$4,467.0</b>	<b>6.8%</b>

*\$ in millions*

Governor Healey’s budget is supported by \$69.73 billion in total revenues, primarily comprised of the non-surtax consensus revenue figure of \$41.214 billion agreed to by the Healey administration, House, and Senate budget leaders earlier this month. It also relies on \$1.95 billion in revenue generated by the income surtax, consistent with the income surtax spending cap also agreed to as part of the consensus revenue process.

The administration’s proposal is supported by \$16.07 billion in reimbursements from the federal government and \$10.02 billion in departmental and lottery revenues, as well as transfers. Lastly, the spending plan relies on approximately \$1.92 billion in revenue-generating initiatives, which include \$1.29 billion in one-time resources.

*Governor Healey’s FY 2026 Revenue Overview*

	FY 2024 GAA	FY 2025 GAA	FY 2026 Governor	\$ v. FY 2025 GAA	% v. FY 2025 GAA
<b>Total Tax Revenue</b>	\$40,296.0	\$41,573.6	\$43,317.1	\$1,743.5	4.2%
<i>Consensus Tax Agreement</i>	\$40,410.0	\$40,202.0	\$41,214.0	\$1,012.0	2.5%
<i>Cap Gains Diversion</i>	-\$584.0	-\$138.4	-\$232.9	-\$94.5	68.3%
<i>Tax Settlements</i>	\$50.0	\$50.0	\$50.0	\$0.0	0.0%
<i>Charitable Deduction Cap</i>	\$0.0	\$0.0	\$164.0	\$164.0	0.0%
<i>Tax Initiatives</i>	-\$580.0	\$160.0	\$172.0	\$12.0	7.5%
<i>4% Income Surtax</i>	\$1,000.0	\$1,300.0	\$1,950.0	\$650.0	50.0%
<b>Federal Revenue</b>	\$13,735.3	\$14,368.6	\$16,067.8	\$1,699.2	11.8%
<b>Departmental Revenue &amp; Transfers</b>	\$8,687.1	\$9,361.5	\$10,020.8	\$659.3	7.0%
Trust Funds Used	\$437.0	\$400.0	\$321.5	-\$78.5	-19.6%
Stab. Fund Transfer (Cap Gains)	-\$146.3	-\$124.5	\$0.0	\$124.5	-100.0%
<b>Total Revenue</b>	<b>\$63,009.1</b>	<b>\$65,579.2</b>	<b>\$69,727.2</b>	<b>\$4,148.0</b>	<b>6.3%</b>

*\$ in millions*

In FY 2026, the Healey administration anticipates that the starting balance of the Stabilization Fund will be \$8.227 billion, after accounting for a transfer of interest earned on the fund in FY 2024 into the new Commonwealth Federal Matching and Debt Reduction Fund.<sup>1</sup> It is expected to grow by a further \$133.1 million, ending the fiscal year with a balance of \$8.361 billion.

---

<sup>1</sup> This fund was created as part of [Chapter 214 of the Acts of 2024](#), *An Act to provide for competitiveness and infrastructure investments in Massachusetts*. The new law permits interest earned on the balance of the Stabilization Fund to support state matching requirements for federal grant programs, as well as debt defeasance strategies.

*FY 2026 Stabilization Fund Estimate*

<b>FY 2025 Beginning Balance</b>	<b>\$8,523.6</b>
<i>Planned Deposits &amp; Uses</i>	<i>-\$296.3</i>
<i>FY 2025 Capital Gains Deposit</i>	<i>\$124.5</i>
<i>FY 2024 Interest Transfer</i>	<i>-\$420.8</i>
<b>FY 2025 Ending Balance</b>	<b>\$8,227.4</b>
<i>FY 2026 Capital Gains Deposit</i>	<i>\$133.1</i>
<b>FY 2026 Ending Balance</b>	<b>\$8,360.5</b>

*\$ in millions*

Typically, the largest deposit into the Stabilization Fund is above-threshold capital gains revenue. Under current statute, capital gains tax collections above a certain threshold (\$1.66 billion in FY 2026) are automatically transferred to the Stabilization Fund and other reserves; and in FY 2026, estimated above threshold capital gains collections total \$666 million. However, the Governor’s budget includes a proposal to adjust the allocation of above-threshold capital gains revenue and direct a greater share of these resources towards the state’s pension and post-retiree benefit liabilities.

*Proposed Redistribution of Above-Threshold Capital Gains Collections*

<b>FY 2026 Capital Gains Estimate</b>		<b>\$2,327</b>	
FY 2026 Capital Gains Threshold		\$1,661	
<b>Above Threshold Collections</b>		<b>\$666</b>	
<b>Standard Distribution</b>		<b>Proposed Distribution</b>	
90% to Stab Fund	\$599	20% to Stab Fund	\$133
5% to Pension Fund	\$33	65% to Pension Fund	\$433
5% to State Retiree Benefits	\$33	15% to State Retiree Benefits	\$100

*\$ in millions*

During a challenging budget year, with increasing spending pressures and limited revenue growth, using a larger share of above-threshold capital gains collections to pay for increasing pension and post-retiree benefit costs is a reasonable decision. Under this proposal, the balance of the Stabilization Fund continues to increase while allowing the state to maintain its commitment to the Pension Fund’s triennial payment schedule.

## **Governor Healey’s FY 2026 Budget – 5 Things to Know**

- Spending grows significantly over the FY 2025 GAA, but more moderately compared to estimated spending levels in FY 2025.** Governor Healey’s budget includes \$62.07 billion in total on-budget spending, a \$4.3 billion (7.4 percent) increase over the FY 2025 GAA and \$1.8 billion (2.1 percent) higher than the administration’s estimated level of spending for FY 2025. Excluding surtax-supported spending and a transfer to the Medical Assistance Trust Fund, spending totals \$59.78 billion, an increase of \$3.8

billion (6.8 percent) over the GAA. This rate of spending growth is primarily supported by a consensus tax revenue figure of \$41.214 billion, which assumes 2.25 percent growth over FY 2025.

2. **The surtax continues to be a major source of new revenue growth in the budget, supporting increased investments in education and transportation.** The FY 2026 budget proposal utilizes \$1.95 billion in new income surtax revenue to support investments across the education and transportation sectors, with \$1.185 billion (61 percent) dedicated to education and \$765 million (39.2 percent) dedicated to transportation. Notable surtax spending items include:
  - \$373 million for early education and care, including \$275 million for the Commonwealth Cares for Children (C3) program. In combination with \$200 million in General Fund and trust fund resources, the program is funded at a total of \$475 million.
  - \$225 million to cover a portion of the cost to implement the fifth year of the Student Opportunity Act. In total, Chapter 70 state aid for public schools is funded at \$7.3 billion, a \$420.2 million (6.1 percent) increase over FY 2025.
  - \$125 million for a new higher education capital financing strategy, which will allow the Commonwealth to expand its borrowing capacity for higher education by up to \$2.5 billion over the following ten years.
  - \$765 million in surtax revenue is transferred directly to the Commonwealth Transportation Fund, which allows the state to support increased operating costs at the Department of Transportation, MBTA, and RTAs and expand the state's borrowing capacity to \$5 billion over the next ten years.
  
3. **The FY 2026 House 1 proposal relies on an increasing amount of one-time resources to support operating spending, which can create long-term challenges for the structural balance of the budget.** To support new spending, House 1 relies on nearly \$1.3 billion in trust fund and other one-time resources, an increase compared to the \$975 million in one-timers used to balance the FY 2025 GAA. These include:
  - \$466.2 million in excess capital gains to offset increases in the state's pension and post-retiree benefit contributions.
  - \$206.5 million from the Student Opportunity Act Implementation Trust Fund.
  - \$115 million from the Early Education and Care Operational Grant Fund.
  - \$200 million in COVID-era grant recoupments.
  
4. **New revenue-generating initiatives are tapped to support spending, including a number of tax-related policy changes.** The Healey administration recommends the adoption of twelve tax-related initiatives to support spending in FY 2026, providing approximately \$379 million in new resources. The initiatives include:
  - Capping the state's charitable income tax deduction at \$5K for individuals and \$10K for joint filers (\$164 million).
  - Levying a new tax on pharmaceuticals that exceed cost growth benchmarks (\$60 million)
  - Applying the sales tax to candy purchases (\$25 million).
  - Eliminating the current tax treatment of securities corporations (\$40 million).

5. **Outside section policies touch on a diverse array of policy areas.** Governor Healey includes 138 outside policy sections in her spending proposal, which cover a range of policy areas. In addition to the sections necessary for the implementation of tax changes and revenue-generating proposals, policy riders include:

- Creation of a state and local camera enforcement program for speeding.
- Extension of an expanded eligibility pilot program for the state's ConnectorCare health insurance program through 2026.
- Establishment of a new program to limit costs in the MassHealth Personal Care Attendant program.
- Increases to the fee for the Department of Public Health Determination of Need program.
- Limitation on the payment of rental broker fees.
- Increases to the Department of Energy Resources assessment authority.

---

---

## **FY 2026 Budget Revenues**

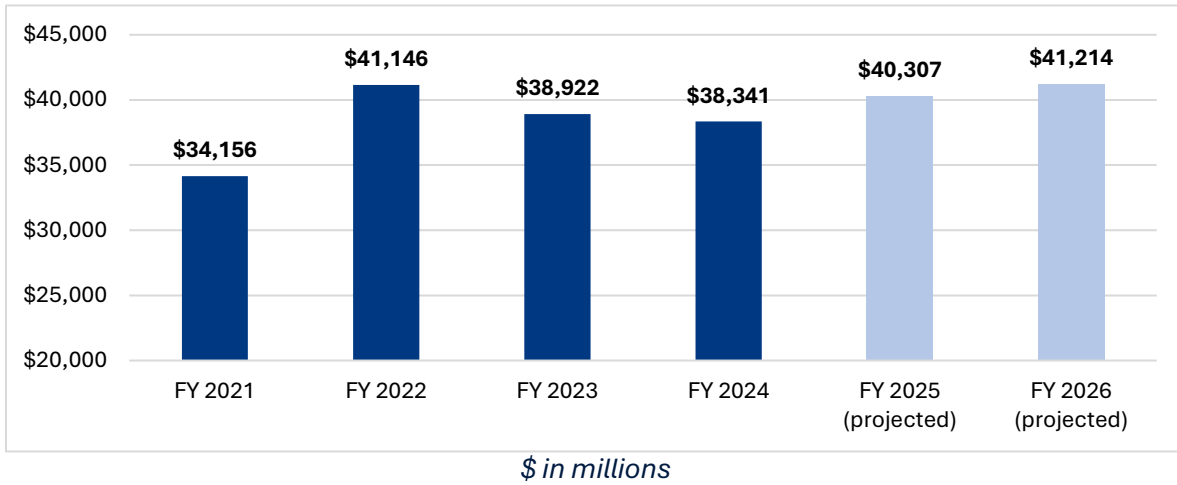
Governor Healey's budget proposal relies on \$69.73 billion in total state revenue. To assess the resources used by the Healey administration to support spending in FY 2026, this brief organizes them into five categories: (1) baseline tax revenues, (2) income surtax revenues, (3) revenue initiatives, (4) non-tax revenues, and (5) trust fund resources.

### **Baseline Tax Revenues**

The revenue foundation for the administration's FY 2026 budget is the \$41.214 billion consensus tax revenue estimate established earlier this month. In FY 2026, non-surtax revenues are expected to grow by \$907 million (2.25 percent) over projected FY 2025 collections of \$40.307 billion.

While budget writers expect non-surtax revenues to increase year-over-year, assessing collection trends over the last five years illustrates the long-term stagnation of revenues since the pandemic. For example, revenue collections in FY 2026 are nominally higher than collections in FY 2022 by only \$68 million, growth of 0.2 percent. Yet despite experiencing essentially flat tax revenue growth, state spending has continued to increase. Between FY 2022 and FY 2025, non-surtax spending in the GAA as signed into law by the Governor increased by \$8.4 billion (17.5 percent). As discussed later on in the report, this divergence between revenue and spending growth has led to an increased reliance on new revenue-generating initiatives and one-time resources.

*FY 2021 – FY 2026 Actual & Projected Tax Revenue Projections (non-surtax)*



It’s important to note that the 2.25 percent growth rate reflected in the consensus revenue agreement for FY 2026 is a conservative estimate. At the Consensus Revenue Hearing, which took place on December 2<sup>nd</sup> and featured testimony from MTF, along with the Department of Revenue (DOR) and other economic experts, the median revenue growth rate offered for FY 2026 was 3.11 percent. At three percent growth, non-surtax revenues in FY 2026 would total \$41.516 billion, increasing the resources available to support spending by approximately \$300 million.

Additionally, the consensus revenue agreement did not reflect any adjustments to the FY 2025 revenue benchmark. Through December, FY 2025 revenues total \$19.260 billion; \$159 million (0.8 percent) above the year-to-date benchmark, but \$1.394 billion (7.8 percent) greater than FY 2024 collections. While data limitations make it challenging to assess how much of this positive growth is attributable to the surtax, it’s important to note that in FY 2025 we are now comparing revenue trends between two fiscal years in which the surtax has been in place. Policymakers should view a nearly eight percent year-over-year revenue growth rate as a positive sign heading into the latter half of the fiscal year.

*Pre-Budget Transfers*

The consensus tax revenue estimate for FY 2026 also includes four “pre-budget” transfers to the Workforce Training Trust Fund, the Pension Fund, the MBTA, and the School Building Authority (SBA). In FY 2026, the pre-budget transfers total \$7.65 billion, not including the deposit of excess capital gains tax revenue into the Stabilization Fund. This represents a \$340 million increase over the transfers projected for FY 2025, primarily driven by an increase in the state’s pension obligation.

*FY 2026 Consensus Tax Revenues for Budget*

	<b>FY 2025 GAA</b>	<b>FY 2026 - Governor</b>	<b>Governor v. FY 2025</b>
<b>Consensus Tax Revenues</b>	<b>\$40,202</b>	<b>\$41,214</b>	<b>\$1,012</b>
<i>Workforce Training Trust Fund</i>	-\$27	-\$27	\$0
<i>School Building Authority</i>	-\$1,312	-\$1,265	-\$47
<i>MBTA</i>	-\$1,472	-\$1,426	-\$46
<i>Pension Fund</i>	-\$4,500	-\$4,933	\$433
<i>Capital Gains Transfer</i>	-\$138	-\$666	\$528
<b>Pre-Budget Transfers (excl. Cap. Gains)</b>	<b>-\$7,311</b>	<b>-\$7,651</b>	<b>\$340</b>
<b>CR Taxes Remaining for Budget</b>	<b>\$32,753</b>	<b>\$32,897</b>	<b>\$144</b>

*\$ in millions*

After taking into account pre-budget transfers and the proposed transfer of capital gains revenue to the Stabilization Fund, Pension Fund, and other Post-Retiree Benefits, \$32.89 billion in consensus tax revenue remains for state budget appropriations.

For additional details on revenue expectations in FY 2025 and FY 2026, read MTF’s recent brief on the [FY 2026 consensus tax revenue agreement](#).

**Income Surtax Revenue**

Governor Healey’s budget relies on \$1.95 billion in revenue generated by the income surtax. This figure is consistent with the income surtax spending cap agreed to by the administration, House, and Senate during the consensus revenue process and represents a \$650 million (50 percent) increase over the \$1.3 billion surtax spending cap reflected in the FY 2025 GAA.

*FY 2026 Income Surtax Revenue Projections & Spending Cap*

	<b>FY 2026</b>
Surtax Revenue Projection	\$2,400
Surtax Spending Cap	\$1,950
Above Cap Surtax	\$450
85% to Innovation & Capital Fund	\$383
15% to Surtax Reserve Fund	\$68

*\$ in millions*

In total, budget writers anticipate that the income surtax will generate \$2.4 billion in revenue during FY 2026. Based on the surtax spending cap of \$1.95 billion, this would mean a deposit of approximately \$450 million in above-cap surtax revenues into the Education and Transportation Innovation & Capital Fund (\$383 million, 85 percent) and the Education and Transportation Reserve Fund (\$68 million, 15 percent).

As further detailed in the spending section of this report, Governor Healey directs \$1.185 billion (61 percent) in income surtax revenue towards education and \$765 million (39 percent) towards transportation.

*FY 2026 Income Surtax Spending by Category*

	<b>FY 2025 GAA</b>	<b>FY 2026 Governor</b>	<b>% of Total (Governor)</b>	<b>FY 2025 GAA v. Governor</b>
<b>Education</b>	<b>\$762</b>	<b>\$1,185</b>	<b>60.77%</b>	<b>\$424</b>
<i>Early Education</i>	\$278	\$373	19.1%	\$95
<i>K-12 Education</i>	\$245	\$475	24.4%	\$231
<i>Higher Education</i>	\$239	\$337	17.3%	\$98
<b>Transportation</b>	<b>\$539</b>	<b>\$765</b>	<b>39.23%</b>	<b>\$227</b>
<i>MBTA</i>	\$261	\$500	25.6%	\$240
<i>MassDOT</i>	\$123	\$155	7.9%	\$32
<i>RTAs</i>	\$110	\$110	5.6%	\$0
<i>Local/Pilot Program</i>	\$45	\$0	0.0%	-\$45
<b>Total Investments</b>	<b>\$1,300</b>	<b>\$1,950</b>	<b>100%</b>	<b>\$650</b>

*\$ in millions*

The surtax spending reflected in the Governor’s budget should also be viewed in conjunction with the surtax supplemental budget filed on the same day, which appropriates \$1.32 billion in surtax revenues from the Education and Transportation Innovation and Capital Fund. This bill directs \$462.5 million in additional investments towards the education sector (35 percent) and \$857.5 million towards transportation (65 percent).

*Surplus Surtax Investments in Education & Transportation*

<b>Surplus Surtax Investments</b>	<b>Proposed Funding</b>
<b>Education</b>	<b>\$462.5</b>
Early Education	\$150.0
K-12 Education	\$312.5
<b>Transportation</b>	<b>\$857.5</b>
MBTA	\$780.0
MassDOT	\$52.5
RTAs	\$25.0
<b>Total Investments</b>	<b>\$1,320.0</b>

*\$ in millions*

When taken together, Governor Healey proposes \$3.27 billion in total surtax spending for education and transportation across her operating budget proposal and the surplus surtax supplemental budget. These resources are divided essentially equally between education (\$1.65 billion, 50.4 percent) and transportation (\$1.62 billion, 49.6 percent).

**Revenue Initiatives**

To increase the resources available to support spending in FY 2026, Governor Healey proposes a range of one-time and ongoing revenue initiatives that are expected to produce approximately \$1.94 billion in new



revenue. In addition to the capital gains diversion and use of trust funds described elsewhere in the report, notable revenue initiatives include:

- **Tax Enforcement & Elimination of Tax Loopholes** (\$172 million) – The Governor’s budget proposes ten tax law changes expected to generate \$172 million in revenue in FY 2026. These changes include eliminating current tax treatment of securities corporations (\$40 million), expanding the application of Massachusetts apportionment for out-of-state businesses (\$35 million), expanding the application of the income tax for non-resident sale of in-state businesses (\$29 million), and applying the sales tax to candy (\$25 million).
- **Charitable Deduction Cap** (\$164 million) – House 1 caps the state’s charitable income tax deduction, which went into effect in 2023, at \$5,000 for individuals and \$10,000 for joint filers.
- **COVID Recovery Recoupment** (\$200 million) – The budget includes an outside section that allows for up to \$200 million in COVID-era recovery appropriations, which remains unexpended, to revert to the General Fund in FY 2026.
- **Gaming Fund Revenues** (\$100 million) – The budget includes a section, also included in the FY 2025 budget, which would redirect approximately \$100 million in gaming tax revenues from off-budget trusts to the General Fund.
- **Pharmaceutical Tax** (\$60 million) – Governor Healey’s budget proposes a new tax on manufacturers whose drug costs exceed certain cost benchmarks over the course of the year. A similar proposal was originally proposed by Governor Baker in 2021.
- **Other Department & Trust Initiatives** (\$450 million) – The budget assigns approximately \$450 million in revenue to several one-time revenue sources, possibly related to trusts. MTF will provide additional information on these revenues when available.

*FY 2026 Revenue Generating Initiatives*

<b>Initiative</b>	<b>FY 2026 Assumption</b>
Total Tax Initiatives	\$319.0
<i>Charitable cap</i>	\$164.0
<i>Securities change</i>	\$40.0
<i>Out of State Business</i>	\$35.0
<i>Non-resident Income</i>	\$29.0
<i>Candy sales tax</i>	\$25.0
<i>Other Tax</i>	\$26.0
Capital Gains Diversion	\$466.2
Trust Funds	\$346.5
COVID Recoupment	\$200.0
Gaming Fund Redirect	\$100.0
Pharmaceutical Tax	\$60.0
Other Dept. & Trust Initiatives	\$450.0
<b>Total Initiatives</b>	<b>\$1,941.7</b>

*\$ in millions*

## Non-Tax Revenues

The Healey administration's budget is supported by \$26.1 billion in revenues related to non-tax sources.

### *Departmental & Federal Revenue*

In addition to revenue generated from taxes and revenue initiatives, the state budget also relies upon hundreds of individual revenue sources related to federal grants and departmental operations. The most notable non-tax revenue sources included in Governor Healey's FY 2026 budget include:

- **State Medicaid Reimbursements** (\$14.2 billion) – Massachusetts receives significant federal reimbursement for spending on MassHealth. The Governor's budget expects these revenues to increase by \$1.8 billion over the FY 2025 GAA assumed amount. This increase in revenue will offset about 70 percent of the increase in MassHealth spending increases reflected in the administration's spending plan. This revenue increase is related to standard reimbursements, as well as new revenue initiatives tied to pharmacy and nursing home assessments.
- **Gaming** (\$386.1 million) – On-budget gaming revenues are expected to total \$386.1 million in FY 2026, an increase of \$6.6 million over FY 2025. As noted above, this revenue assumption reflects about \$100 million through the redirection of otherwise off-budget gaming resources to the General Fund.
- **Lottery** (\$1.2 billion) – Net profits from the Lottery are assumed to be \$1.2 billion in FY 2026, a \$336 million decrease from the level expected in the FY 2025 GAA. This decrease is primarily due to the fact that iLottery revenues are now dedicated to an off-budget trust, but it also reflects a more conservative estimate of underlying lottery revenues. The Governor's budget does include an outside section (section 9) that would allow the Lottery to expand game offerings.

## Trust Fund Resources

As referenced above, in addition to the revenue-generating initiatives, the Healey administration's budget proposal also relies on \$346 million in trust fund resources to support new and expanded spending in FY 2026.

- *Student Opportunity Act Investment Fund* (\$206.5 million) – The Governor's budget proposes using a little less than half of the SOA fund's \$486.7 million balance to offset approximately three percent of the state's Chapter 70 school aid appropriation.
- *Early Education and Care Operational Grant Fund* (\$115 million) – This budget proposes using \$115 million of the \$150 million currently held in this trust fund to cover about one-quarter of the FY 2026 appropriation for C3 operational grants.
- *Trust Fund Sweeps* (\$25 million) – The administration's budget also assumes \$25 million in unspecified trust fund sweeps to support general budget spending.

## One-Time v. Ongoing Revenue Sources

The FY 2025 budget signed into law by Governor Healey last July relied upon an estimated \$1.16 billion in new one-time and ongoing revenue sources to support spending, of which \$975 million were available for only one fiscal year. In FY 2026, the number of one-time revenues used to support the operating budget grows to \$1.3 billion.

*FY 2026 v. FY 2025 One-Time Revenues*

<b>One-Time Resource</b>	<b>FY 2026 Assumption</b>
Capital Gains Redirection	\$466.2
SOA Trust	\$206.5
EEC Operational Grant Fund	\$115.0
COVID Recoupment	\$200.0
Gaming Redirect	\$100.0
Other One-Time	\$200.0
<b>Total</b>	<b>\$1,287.7</b>

*\$ in millions*

As in FY 2025, the largest one-time resource comes from redirecting above-threshold capital gains revenues to cover obligations otherwise paid for with ongoing revenue. In the Governor’s proposal, \$433 million would be used to help pay for the state’s pension contribution and \$100 million goes to reduce the appropriation to the State Retiree Benefit Trust Fund. Trust funds comprise more than \$300 million in FY 2026 solutions, with assumed reversions from COVID era programs contributing a further \$200 million. MTF estimates approximately \$200 million in miscellaneous one-timers that bring the total to \$1.287 billion.

---

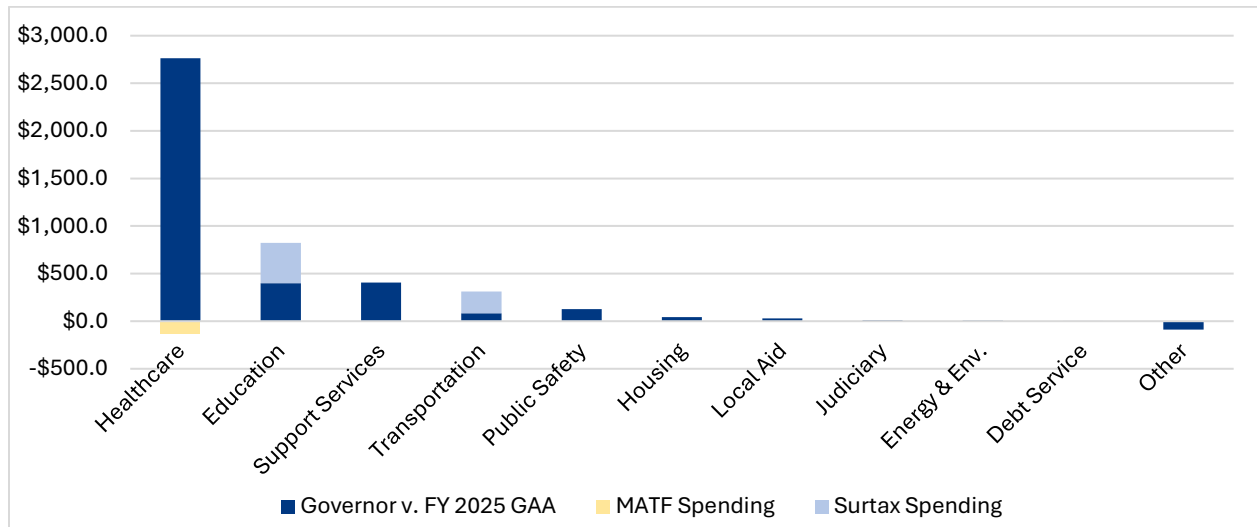
## **FY 2026 Budget Spending**

Governor Healey’s FY 2026 budget proposal includes \$62.07 billion in line-item spending, a \$4.3 billion (7.4 percent) increase over the FY 2025 budget signed into law last July.

Excluding surtax-supported spending and a transfer to the Medical Assistance Trust Fund, spending totals \$59.577 billion, a \$3.78 billion (6.8 percent) increase over the prior year. Compared to the administration’s expected FY 2025 spending level of \$58.089 billion, non-surtax spending grows by \$1.5 billion (2.6 percent).

Comparing the funding included in the Governor’s budget to the FY 2025 GAA, broken down by category, provides a clear picture of the policy areas that are driving increased spending levels. Healthcare spending is anticipated to exceed FY 2025 GAA spending levels by more than \$2.5 billion, while education grows by over \$800 million and transportation by \$310 million. In the healthcare space, this drastic increase in state support is predominantly related to the MassHealth program, while surtax revenues support \$650 million in new spending for education and transportation.

FY 2026 Spending by Category v. FY 2025 GAA



\$ in millions

## MassHealth & Healthcare

### MassHealth

The largest category of spending in the state’s operating budget is MassHealth, totaling \$22.6 billion and representing 36 percent of all line-item spending in the Healey administration’s FY 2026 budget proposal. Compared to spending projections for FY 2025, gross state spending on MassHealth is expected to increase by \$1.04 billion (4.8 percent), while the net cost of the program will increase by approximately \$726 million (9.5 percent).

### FY 2026 MassHealth Spending & Federal Reimbursement

	FY 2024 GAA	FY 2025 GAA	FY 2025 Est. Spending	FY 2026 - Governor
Federal Reimbursement Share	\$12,014	\$12,410	\$13,303	\$14,212
% of Total Spending	60.6%	61.8%	61.7%	62.9%
State Share	\$7,803	\$7,660	\$8,256	\$8,387
<b>Total MassHealth Spending</b>	<b>\$19,817</b>	<b>\$20,070</b>	<b>\$21,559</b>	<b>\$22,599</b>

\$ in millions

In FY 2026, spending trends for MassHealth continue to be significantly impacted by the end of several pandemic-era policies, including enhanced federal reimbursement and the continuous coverage mandate. The end of enhanced federal reimbursement resulted in the loss of approximately \$1 billion annually in offsetting revenue for state Medicaid costs, and despite completing a 12-month redeterminations process for over 2.4 million individuals, MassHealth enrollment continues to exceed 2 million members. In addition to enrollment, the administration cites utilization increases in areas like pharmaceuticals, acute care, behavioral health, and long-term services as major cost drivers heading into FY 2026.

Notable elements of the Governor's FY 2026 budget for MassHealth and health care include:

- Increasing the asset limits for MassHealth seniors from \$2,000 for individuals and \$3,000 for a couple to \$5,000 and \$7,500, respectively. This policy change is referenced in the budget's accompanying materials, but does not appear to be reflected in outside section language.
- Extending the state's ConnectorCare eligibility pilot, which allows members with incomes up to 500 percent of the Federal Poverty Level to enroll. Under the one-year extension (found in sections 111 through 112 and section 114), the pilot would conclude at the end of 2026.
- Creating a program to manage enrollment growth in the MassHealth Personal Care Attendant program. Under the program (section 73), which has now estimated savings for FY 2026, MassHealth would be directed to keep the program's cost growth at or under the state's health care cost benchmark.
- Expanding allowable uses for the Behavioral Health Access and Crisis Intervention Trust Fund to allow \$50 million in unspent funds to be used related to behavioral health services, but not previously allowed (section 16).
- Implementing a new assessment on pharmacies (section 41), with revenue being redistributed to high-Medicaid pharmacies. The proposal, which is described in section 78 of the budget, will assess pharmacies \$145 million, provide \$20 million in net revenue to the state, and allow for \$165 million in payments back to pharmacies through MassHealth payments.
- Increasing nursing home rates and the nursing home user fee (section 74). This proposal, set forth in section 74, would increase the nursing home fee by an estimated \$22 million, partially offsetting a larger rate increase of \$102 million.
- Holding most MassHealth Managed Care rates flat at FY 2025 levels.
- Limiting Senior Care Option eligibility to dual Medicare eligible enrollees aged 65 and over (sections 69 through 71).
- Increasing the maximum fee for Determination of Need applications from 0.2 percent of the proposed capital expenditures of a project to 0.7 percent (section 64).

## **Municipal Finance**

The Governor's budget funds Unrestricted General Government Aid (UGGA) at \$1.337 billion, a \$28.8 million (2.2 percent) increase over FY 2025. The increase proposed by Governor Healey for local aid to cities and towns reflects the expectations of budget writers that non-surtax revenues will increase by 2.2 percent in FY 2026. During the Baker administration, UGGA was consistently increased by the same percentage growth rate reflected in the consensus tax revenue agreement, and Governor Healey adopts that practice in FY 2026 as well.

PILOT – Payment in Lieu of Taxes for State-Owned Land – is included in Governor Healey's spending bill at \$54.5 million, a \$1.5 million (2.9 percent) increase over the prior year. The entirety of this increase is allocated for one-time additional reimbursements, to ensure that no city or town receives less in PILOT reimbursements in FY 2026 than they received in FY 2025.

*UGGA and PILOT Funding in FY 2026*

Program	FY 2023 GAA	FY 2024 GAA	FY 2025 GAA	FY 2026 - Governor
<b>UGGA</b>	\$1,231.2	\$1,270.6	\$1,308.7	\$1,337.5
<i>\$ Increase v. Prior Year</i>	\$63.1	\$39.4	\$38.1	\$28.8
<i>% Increase v. Prior Year</i>	5.4%	3.2%	3.0%	2.2%
<b>PILOT</b>	\$45.0	\$51.5	\$53.0	\$54.5
<i>\$ Increase v. Prior Year</i>	\$10.0	\$6.5	\$1.5	\$1.5
<i>% Increase v. Prior Year</i>	28.6%	14.4%	3.0%	2.9%

*\$ in millions*

*Other Municipal Investments*

In FY 2026, the administration funds the Municipal Regionalization and Efficiencies Reserve at \$7.5 million. The entirety of this appropriation is earmarked for specific programs, including:

- \$3 million for the District Local Technical Assistance Fund.
- \$2 million to support the Community Compact Program.
- \$2 million for a competitive grant program to support public safety and emergency staffing.
- \$500K for the Local Finance Commonwealth Fellowship program, which provides training in municipal finance to community college students.

As detailed in the following section, the Governor’s budget also includes a substantial investment (\$7.322 billion) in local aid for public schools commensurate with the fifth-year of the six-year Student Opportunity Act implementation schedule.

**Education**

**Early Education**

Governor Healey recommends \$1.7 billion in total funding for early education and care programs in FY 2026, an increase of \$158.5 million (10.3 percent) over the FY 2025 GAA. This funding level includes \$1.327 billion in non-surtax spending, and \$373 million in surtax-supported investments.

Additionally, the supplemental surtax spending bill filed by the Governor earlier today dedicates \$150 million in funding toward early education initiatives. That spending is highlighted later on in this section.

For the third year in a row, the Commonwealth Cares for Children (C3) grant program is funded in the operating budget at \$475 million and supported through a combination of General Fund (\$85 million), EEC Operational Grant Fund (\$115 million), and income surtax (\$275 million) revenues. The EEC Operational Grant Fund was created in the FY 2025 GAA to collect revenue generated by the online lottery. Due to uncertainties regarding the implementation of the online lottery, the FY 2024 closeout supplemental budget transferred \$150 million in surplus surtax resources to the fund to ensure that it continued to be a source of support for the C3 program.

FY 2026 Early Education & Care Spending

Program	FY 2024 GAA	FY 2025 GAA	FY 2026 - Governor	Governor v. FY 2025 GAA
<b>Administration</b>	<b>\$59.1</b>	<b>\$80.3</b>	<b>\$54.9</b>	<b>-\$25.4</b>
<i>Dept. of Early Education and Care</i>	\$12.4	\$27.7	\$8.0	-\$19.7
<b>Child Care Operational Grants (C3)</b>	<b>\$475.0</b>	<b>\$300.0</b>	<b>\$200.0</b>	<b>-\$100.0</b>
<b>Child Care Financial Assistance</b>	<b>\$753.8</b>	<b>\$773.8</b>	<b>\$965.8</b>	<b>\$192.1</b>
<i>DCF and DTA Related Child Care</i>	\$346.6	\$356.6	\$448.2	\$91.6
<i>Income-Eligible Child Care</i>	\$407.2	\$417.2	\$517.6	\$100.4
<b>Program Supports &amp; Expansion</b>	<b>\$47.5</b>	<b>\$46.0</b>	<b>\$46.1</b>	<b>\$0.1</b>
<i>Preschool Partnership Initiative</i>	\$15.0	\$17.5	\$17.7	\$0.2
<i>Grants to Head Start Programs</i>	\$17.5	\$18.5	\$18.5	\$0.0
<b>Child Care Resource &amp; Referral Orgs.</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$0.0</b>
<b>Reimbursement Rate Reserve</b>	<b>\$55.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Other Early Education</b>	<b>\$41.3</b>	<b>\$44.3</b>	<b>\$41.0</b>	<b>-\$3.3</b>
<b>Income Surtax Spending</b>	<b>\$70.5</b>	<b>\$278.0</b>	<b>\$373.0</b>	<b>\$95.0</b>
<i>Child Care Operational Grants (C3)</i>	\$0.0	\$175.0	\$275.0	\$100.0
<i>Child Care Supports</i>	\$0.0	\$0.0	\$98.0	\$98.0
<b>Total Funding Level</b>	<b>\$1,522.2</b>	<b>\$1,542.4</b>	<b>\$1,700.9</b>	<b>\$158.5</b>

\$ in millions

Other notable investments included in the Governor’s budget for early education include:

- **EEC Administration** (\$8 million) – The Healey administration funds the department’s administrative line-item at \$8 million, a decrease of \$19.6 million. In the FY 2025 GAA, this account included \$15 million in dedicated funding for two new EEC loan forgiveness and scholarship programs, as well as \$600K for other earmarks. It appears that the Governor’s budget eliminates this funding for FY 2026.
- **Child Care Financial Assistance** (\$965.8 million) – Base funding for the state’s two CCFA programs totals \$965.8 million in the Governor’s budget proposal, an increase of \$192 million over the FY 2025 GAA and approximately \$20 million over estimated spending levels. In combination with surtax funding included in the operating budget, approximately \$1.06 billion is made available to support the current capacity levels and the rate structure for Income-Eligible and DTA/DCF childcare.
- **Commonwealth Preschool Partnership Initiative** (\$17.7 million) – The CPPI program is funded at \$17.7 million in the Governor’s FY 2026 operating budget, essentially level with the FY 2025 GAA. However, the supplemental surtax spending bill also includes \$50 million for the program, increasing the total amount available to \$67.7 million. The administration anticipates this funding level to sustain all current grantees, and allow new communities to join CPPI. In FY 2025, this program supported 203 classrooms across the state.
- **Career Pathways** (\$4.95 million) – The Governor’s budget funds higher education opportunities for providers at \$4.95 million, essentially level with the FY 2025 GAA. The administration expects that a portion of the costs of this program will be covered through funding for free community college programs.



- **Grants to Head Start** (\$18.5 million) – Funding for Grants to Head Start programs is level funded with the FY 2025 GAA at \$18.5 million.

#### *Income Surtax Investments*

In total, \$337 million in spending supported by the income surtax is directed towards early education and care; representing 17.3 percent of all surtax investments included in the Governor’s budget proposal. Surtax revenues for childcare are used to support existing programs, including:

- \$275 million for the C3 grant program. In combination with \$200 million in General Fund and trust fund resources, the program is level-funded at \$475 million in FY 2026.
- \$98 million to maintain the capacity levels and rate structures put in place for FY 2025. Line-item language allows for these resources to be transferred into the EEC administrative line-item, as well as the two CCFA programs.

#### *Supplemental Surtax Spending Plan*

Included in the Governor’s supplemental budget proposal to spend \$1.32 billion in surplus surtax revenue from the Education and Transportation Innovation & Capital Fund is \$150 million for early education and care initiatives.

- \$100 million for workforce, affordability, and quality improvements across the early education sector. Line-item language also allows this funding to be transferred to the Early Education and Care Operational Grant Fund, which is used to support the C3 program in the Governor’s House 1 proposal.
- \$50 million for the Commonwealth Preschool Partnership Initiative. As described above, in combination with a proposed operating budget appropriation of \$17.7 million, this would make \$67.7 million available for the program. Supplemental surtax funding is intended to be available over the course of several years.

### **K-12 Education**

#### *Chapter 70 State Aid*

In FY 2026, Governor Healey funds the fifth year of Student Opportunity Act (SOA) implementation at \$7.322 billion. This represents an increase of \$420.2 million (6.1 percent) over FY 2025.

The cost of Chapter 70 state aid is supported through a combination of General Fund (\$6.8 billion), SOA Implementation Fund (\$206.5 million), Education Fund (\$44.7 million), and income surtax (\$225 million) resources.



*FY 2026 Chapter 70 State Aid Funding*

<b>Program</b>	<b>FY 2023 GAA</b>	<b>FY 2024 GAA</b>	<b>FY 2025 GAA</b>	<b>FY 2026 - Governor</b>
<b>Chapter 70 State Aid</b>	\$5,988.5	\$6,584.8	\$6,864.9	\$7,097.2
<i>Minimum Aid Supplement</i>	\$9.69	\$7.9	\$37.0	\$0.0
<i>SOA Implementation Support (surtax)</i>	\$0.00	\$0.0	\$0.0	\$225.0
<b>Total State Aid</b>	<b>\$5,998.2</b>	<b>\$6,592.6</b>	<b>\$6,901.9</b>	<b>\$7,322.2</b>
<i>\$ Increase v. Prior Year</i>	\$494.9	\$594.4	\$309.3	\$420.2
<i>% Increase v. Prior Year</i>	9.0%	9.9%	4.7%	6.1%
<b>SOA Implementation Schedule</b>	Year 2	Year 3	Year 4	Year 5

*\$ in millions*

The Governor’s spending plan appears to keep the state on track to reach full implementation of the SOA in FY 2027 and reflects minimum aid of \$75 per pupil. In addition, the foundation inflation index appears to be set at 1.9 percent. All foundation budget rates, with the exception of employee benefits and fixed charges, are increased by an inflation rate of 1.9 percent in FY 2026. This rate is based on data from the Bureau of Economic Analysis and is consistent with actual state and local government inflation. In FY 2025, the foundation inflation index was set at 1.35 percent.

*Education Reimbursement Programs*

The Healey-Driscoll administration recommends a total of \$811.9 million in non-surtax funding for other major education reimbursement programs in FY 2026, including Charter Tuition Reimbursement, Special Education Circuit Breaker, and Student Transportation Reimbursement. This funding level represents a \$9.4 million (1.15 percent) decrease compared to the FY 2025 budget.

However, as detailed in the following sections, the administration also directs \$200 million in additional surtax spending towards student transportation costs and the Special Education Circuit Breaker program. In total, \$1 billion in made available for these programs across the two spending bills, a \$191 million (23.3 percent) increase over the FY 2025 GAA.

*FY 2026 K-12 Education Reimbursement Programs*

<b>Program</b>	<b>FY 2025 GAA</b>	<b>FY 2026 - Governor</b>	<b>Surtax Spending</b>	<b>Total FY 2026 Funding</b>
SPED Circuit Breaker	\$493.2	\$532.0	\$150.0	\$682.0
Charter Tuition Reimbursement	\$199.0	\$179.1	\$0.0	\$179.1
Regional School Transportation	\$99.5	\$72.1	\$43.8	\$115.9
Non-Resident Vocational Transportation	\$1.0	\$0.0	\$6.2	\$6.2
Homeless Student Transportation	\$28.7	\$28.7	\$0.0	\$28.7
<b>Total Education Reimbursement</b>	<b>\$821.3</b>	<b>\$811.9</b>	<b>\$200.0</b>	<b>\$1,011.9</b>

*\$ in millions*

Notable details regarding the funding levels for these programs include:

- **Charter Tuition Reimbursement** – The Governor’s budget funds charter tuition reimbursement at \$179.1 million in FY 2026, a \$19.9 million (10 percent) decrease compared to the FY 2025 GAA. According to the administration, this lower funding level reflects a stagnation in charter school enrollment growth, which results in lower year-over-year increases in sending district tuition payments and reimbursements.
- **Special Education Circuit Breaker** – The administration proposes funding the circuit breaker program at a total of \$682 million in FY 2026, including \$532 million provided through the operating budget and \$150 million in supplemental surtax spending. According to the administration, this funding level will support the full phase-in of out-of-district student transportation reimbursement.
- **Student Transportation Reimbursement** – Through a combination of non-surtax and surtax-supported spending, Regional School Transportation is funded at a total of \$115.9 million in FY 2026 (estimated 95 percent reimbursement), Non-Resident Vocational Transportation is funded at \$6.2 million (estimated 100 percent reimbursement), and Homeless Student Transportation is funded at \$28.7 million.

#### *Income Surtax Investments*

In the operating budget, K-12 education spending is bolstered by \$475 million in income surtax investments, comprising 24.4 percent of all surtax spending included in the Governor’s House 1 proposal. These investments include:

- \$225 million to cover a portion of the costs associated with implementing the fifth year of the Student Opportunity Act.
- \$170 million for the full-year costs of Universal School Meals.
- \$50 million for Regional Student Transportation and Non-Resident Vocational Transportation.
- \$25 million for the continuation of an Early Literacy initiative, first funded in FY 2025.
- \$5 million for mental health supports and wrap-around services.

#### *Supplemental Surtax Spending Plan*

In addition to the surtax spending reflected in the Governor’s operating budget proposal for K-12 education, the administration recommends appropriating \$312.5 million in the surplus surtax supplemental budget to support a range of initiatives to be overseen by the Executive Office of Education (EOE) and the Department of Elementary and Secondary Education (DESE). These include:

- \$32.5 million for EOE’s Reimagining High School initiative, which may include funding for early college and innovation pathways programs.
- \$75 million to support a capital grant program to expand the number of career technical education seats across the state.
- \$150 million in supplemental funding for the Special Education Circuit Breaker program.
- \$30 million to address waitlists for Adult Basic Education and English-learner programs.
- \$25 million for intensive literacy tutoring for students in Kindergarten through third grade.

## Higher Education

In FY 2026, Governor Healey funds the public higher education sector at \$2.225 billion, an increase of \$227.2 million (11.4 percent) over FY 2025. This funding level includes \$1.888 billion in non-surtax spending and \$337 million in surtax-supported investments.

*FY 2026 Higher Education Spending by Sector*

Category	FY 2024 GAA	FY 2025 GAA	FY 2026 - Governor	Governor v. FY 2025 GAA
<b>Community Colleges</b>	<b>\$348.8</b>	<b>\$385.5</b>	<b>\$406.3</b>	<b>\$20.8</b>
<b>State Universities</b>	<b>\$338.7</b>	<b>\$374.1</b>	<b>\$395.7</b>	<b>\$21.6</b>
<b>University of Massachusetts</b>	<b>\$692.9</b>	<b>\$770.0</b>	<b>\$857.8</b>	<b>\$87.8</b>
<b>Scholarship Programs</b>	<b>\$198.4</b>	<b>\$197.0</b>	<b>\$198.6</b>	<b>\$1.6</b>
<i>Community College SUCCESS Fund</i>	\$14.0	\$14.7	\$14.7	-\$0.1
<i>Foster Care and Adopted Fee Waiver</i>	\$7.3	\$7.3	\$7.2	-\$0.1
<i>Foster Care Financial Aid</i>	\$1.5	\$1.5	\$1.5	\$0.0
<i>Massachusetts State Scholarship Program</i>	\$175.7	\$173.4	\$175.2	\$1.8
<b>Other Higher Education</b>	<b>\$33.9</b>	<b>\$32.7</b>	<b>\$30.2</b>	<b>-\$2.5</b>
<b>Income Surtax Spending - Higher Ed</b>	<b>\$229.0</b>	<b>\$239.0</b>	<b>\$337.0</b>	<b>\$98.0</b>
<i>Financial Aid Expansion</i>	\$84.0	\$80.0	\$80.0	\$0.0
<i>MassReconnect</i>	\$20.0	\$24.0	\$24.0	\$0.0
<i>Higher Education Capital Funding</i>	\$50.0	\$0.0	\$125.0	\$125.0
<i>State University SUCCESS</i>	\$0.0	\$14.0	\$14.0	\$0.0
<i>Free Community College</i>	\$0.0	\$93.5	\$94.0	\$0.5
<b>Total Funding Level</b>	<b>\$1,841.7</b>	<b>\$1,998.3</b>	<b>\$2,225.5</b>	<b>\$227.2</b>

*\$ in millions*

### *Public Higher Education Campuses*

Base funding for State Universities in the Governor’s budget totals \$395.7 million, an increase of \$21.6 million (5.8 percent) over the FY 2025 GAA. On average, campus operating appropriations receive increases of 7.9 percent. Community Colleges are funded at \$406.3 million, a \$20.8 million (5.4 percent) increase over FY 2025. Campus operating appropriations increase by an average of 6.2 percent.

While the drivers of funding differences for higher education campuses are not immediately apparent in the Governor’s budget, they often reflect the cost of new or expected collective bargaining agreements.

### *Scholarship Programs & Addressing Student Costs*

In FY 2026, non-surtax funding for scholarship programs and wraparound student supports is essentially level with the FY 2025 GAA at \$198.6 million. The state’s Scholarship Reserve is funded at \$175.2 million, which is complemented by \$80 million in surtax spending for financial aid expansion. This funding is intended to support the continued expansion of the MASS Grant Plus program, which covers tuition, fees, and other

supply costs for Pell-eligible students and reduces the cost of attendance for other eligible student populations.

### *Income Surtax Investments*

Funding for higher education in Governor Healey’s budget proposal is supported by \$337 million in income surtax revenue in FY 2026, representing 17.3 percent of all surtax investments in her operating budget proposal.

Notably, the administration dedicates \$125 million in surtax revenue to support a new higher education capital financing strategy. Through the permanent allocation of these resources towards a new reserve account, the administration anticipates the ability to support the issuance of up to \$2.5 billion in Special Obligation (SO) bonds<sup>2</sup> over ten years to fund higher education capital improvement projects.

The guaranteed dedication of surtax revenues towards the new reserve provides the state with the debt coverage necessary to issue the SO bonds, while the \$125 million is available to support future debt service costs and other debt defeasance strategies. This proposal would operate similarly to the Commonwealth Transportation Fund (CTF), which also leverages dedicated revenue sources – like the gas tax and its own dedicated surtax transfer – to support transportation capital projects and programs through the sale of SO bonds.

Yesterday, the administration also filed a higher education bond bill (known as the “BRIGHT Act”) which reflects this House 1 proposal and authorizes an additional \$500 million in borrowing over ten years for other higher education capital initiatives. These include \$100 million for planning costs related to the disposition and acquisition of land by campuses to support housing development, \$100 million for the Workforce Skills Cabinet grant program, \$170 million for campus modernization initiatives, and \$30 million for the re-development of campus master plans. The funding included in the Governor’s budget and the BRIGHT Act reflects the work of the Higher Education Capital Working Group, which was established through an outside section in the FY 2025 GAA.

Additional income surtax investments for higher education in House 1 include:

- \$94 million to maintain the state’s free community college program, known as MassEducate.
- \$24 million for the third-year of the MassReconnect program.
- \$80 million for the continued expansion of the MASS Grant Plus and other financial aid programs.
- \$14 million for the State University SUCCESS program, which provides additional services and supports to students at risk of not completing their degree programs.

---

<sup>2</sup> Special Obligation (SO) bonds are secured by dedicated revenue sources, and have historically been used to finance road and bridge construction projects. Because the bonds are backed by specific revenues, they are not subject to the state’s bond cap, which only applies to General Obligation (GO) bonds backed by the full faith and credit of the Commonwealth.

## Workforce & Career Readiness

MTF tracks workforce and career readiness spending across 44 state programs and 16 state agencies. As described in prior MTF research, the programs are organized into three categories: individual workforce training programs, sector-based programs, and training opportunities for state-serving populations.

In FY 2026, Governor Healey proposes \$518.7 million in total funding for these programs, an \$8.6 million (1.6 percent) decrease compared to the FY 2025 budget.

*FY 2026 Workforce Spending by Sector*

Category	FY 2024 GAA	FY 2025 GAA	FY 2026 - Governor	Governor v. FY 2025 GAA
<b>Sector-Based</b>	<b>\$68.8</b>	<b>\$50.6</b>	<b>\$45.7</b>	<b>-\$5.0</b>
<i>Career and Technical Education Program</i>	\$3.5	\$3.5	\$3.1	-\$0.4
<i>Career Technical Institutes</i>	\$15.4	\$9.6	\$9.0	-\$0.6
<i>Mass Manufacturing Extension Partnership</i>	\$2.0	\$1.7	\$0.0	-\$1.7
<b>Training Opportunities for State Populations</b>	<b>\$304.6</b>	<b>\$348.8</b>	<b>\$351.7</b>	<b>\$2.9</b>
<i>Community Day and Work Programs</i>	\$243.2	\$288.0	\$287.4	-\$0.6
<i>Employment Services Program</i>	\$19.9	\$18.9	\$20.6	\$1.7
<i>Vocational Rehab. for People with Disabilities</i>	\$25.9	\$26.2	\$28.8	\$2.6
<b>Individual Workforce Training</b>	<b>\$126.5</b>	<b>\$128.0</b>	<b>\$121.4</b>	<b>-\$6.6</b>
<b>Total Funding Level</b>	<b>\$499.8</b>	<b>\$527.3</b>	<b>\$518.7</b>	<b>-\$8.6</b>

*\$ in millions*

The only category of workforce investment that sees increased funding in the Governor’s budget proposal is training opportunities for state-serving populations. That \$2.9 million increase is entirely driven by two programs, the Employment Services Program and Vocational Rehabilitation for People with Disabilities.

Other notable workforce investments in House 1 include:

- **Career and Technical Education Program** (\$3.1 million) – In the Governor’s budget, base funding for Career and Technical Education programs is included at \$3.1 million, a slight decrease compared to FY 2025.
- **Career Technical Institutes** (\$9 million) – CTIs are funded at \$9 million in the administration’s spending plan, a decrease of \$644K compared to the FY 2025 GAA.
- **MassHire Career Centers** (\$8.3 million) – MassHire career centers receive \$8.3 million in funding through the Governor’s budget, a decrease of \$607K compared to the FY 2025 budget.
- **YouthWorks Program** (\$15.7 million) – The summer jobs program for at-risk youth, also known as YouthWorks, is funded at \$15.7 million in the Governor’s budget, which is level with the FY 2025 GAA after backing out earmarks for local programs.

## Transportation

The Healey-Driscoll administration provides \$1.620 billion in total funding for transportation in FY 2026, through a combination of base operating transfers and surtax-supported spending. This represents an increase of \$310.2 million (23.7 percent) over the FY 2025 GAA.

Through the supplemental surtax spending plan also filed today, Governor Healey has proposed \$857 million in additional spending for transportation. In total, these two spending plans put forward nearly \$2.5 billion in transportation-related investments, of which \$1.6 billion is supported by the income surtax.

### Base Operating Transfers

House 1 provides \$855.3 million in base funding for the MBTA, MassDOT, and Regional Transit Authorities (RTAs) in FY 2026, an \$84.2 million (11 percent) increase over FY 2025.

### FY 2026 Transportation Spending

Category	FY 2024 GAA	FY 2025 GAA	FY 2026 - Governor	Governor v. FY 2025 GAA
Base Transfer to MassDOT	\$523.9	\$478.6	\$562.6	\$84.0
Base Transfer to MBTA	\$187.0	\$186.8	\$187.0	\$0.2
Base Transfer to RTAs	\$94.0	\$94.0	\$94.0	\$0.0
Other Non-Surtax Transportation	\$11.7	\$11.7	\$11.7	\$0.0
<b>Income Surtax Spending (CTF Fund)</b>	<b>\$0.0</b>	<b>\$250.5</b>	<b>\$765.0</b>	<b>\$514.5</b>
<i>Supplemental Transfer to MassDOT</i>	\$0.0	\$60.0	\$55.0	-\$5.0
<i>Supplemental Transfer to MBTA</i>	\$0.0	\$127.5	\$500.0	\$372.5
<i>Supplemental Transfer to RTAs</i>	\$0.0	\$0.0	\$110.0	\$110.0
<i>CTF Debt Service</i>	\$0.0	\$63.0	\$100.0	\$37.0
<b>Other Surtax Spending</b>	<b>\$476.5</b>	<b>\$288.5</b>	<b>\$0.0</b>	<b>-\$288.5</b>
<i>Federal Matching Funds</i>	\$25.0	\$0.0	\$0.0	All income surtax investments for transportation in the Governor's budget are reflected in the CTF transfer above.
<i>Highway Bridge Preservation</i>	\$50.0	\$0.0	\$0.0	
<i>MBTA Capital Investments</i>	\$180.8	\$60.0	\$0.0	
<i>MBTA Means Tested Fares</i>	\$5.0	\$20.0	\$0.0	
<i>MBTA Workforce/Safety Reserve</i>	\$20.0	\$36.0	\$0.0	
<i>MBTA Academy</i>	\$0.0	\$10.0	\$0.0	
<i>Regional Transit Funding and Grants</i>	\$90.0	\$110.0	\$0.0	
<i>Roads &amp; Bridges Supplemental Aid</i>	\$100.0	\$45.0	\$0.0	
<i>Water Transportation</i>	\$5.7	\$7.5	\$0.0	
<b>Total Transportation Funding</b>	<b>\$1,293.1</b>	<b>\$1,310.0</b>	<b>\$1,620.3</b>	

\$ in millions

### MBTA

In FY 2026, the Governor's budget maintains the \$187 million base operating transfer to the MBTA. This funding level is further supplemented by a \$500 million transfer from the Commonwealth Transportation Fund (CTF), supported by surtax revenue, bringing total operating support for the authority to \$687 million. Additional details on surtax spending for transportation are included below.

### *MassDOT*

The administration funds the base operating transfer to the Department of Transportation at \$562.6 million, an increase of \$84 million (17.6 percent) over FY 2025. Of this increase, \$80 million is intended to restore funding for snow and ice removal. This funding level is also supplemented by a \$55 million transfer from the Commonwealth Transportation Fund (CTF), supported by surtax revenue. In total, MassDOT receives \$617.6 million in total operating support in House 1.

### *Regional Transit Authorities*

Regional Transit Authorities (RTAs) receive \$94 million in base operating support in the administration's FY 2026 budget proposal, plus an additional \$110 million through a supplemental transfer from the CTF supported by the surtax. According to outside section language, the \$94 million in historic support for the RTAs will be allocated according to the distribution schedule agreed to between each RTA and the Department of Transportation. Additional details on the surtax-supported investments are included in the following section.

### *Income Surtax Investments*

Governor Healey dedicates \$765 million in income surtax revenue towards transportation, representing 39 percent of all surtax investments in the operating budget. Building on a proposal that was adopted as part of the FY 2025 GAA, the Governor recommends directing the entirety of this appropriation to the Commonwealth Transportation Fund (CTF) where it can be used to immediately increase operating support for the MBTA, MassDOT, and RTAs, as well as increase the borrowing capacity of the trust fund to support up to \$5 billion in new capital spending over the next ten years.

In FY 2025, lawmakers approved a proposal to annually and automatically dedicate \$250 million in surtax revenue to the CTF. In the FY 2025 GAA, those resources were used to support additional MBTA operating support (\$127 million), MassDOT operations (\$60 million), and debt service costs (\$63 million). In FY 2026, the Healey administration recommends increasing the automatic transfer to \$765 million, and distributing it in the following way:

- \$500 million to stabilize MBTA operations, including funds for workforce development efforts, low-income fares, and ferry transportation.
- \$110 million for RTAs, with specific investments in transit improvements (\$66 million), fare-free service (\$30 million), and a community transfer grant program (\$4 million). This proposal mirrors the distribution of surtax revenues for RTAs included in the FY 2025 GAA.
- \$55 million for MassDOT operations, including workforce investments and capital project delivery improvements.
- \$100 million held in the fund to support future debt service costs.

The Governor recommends making the \$765 million annual transfer permanent, which will increase the CTF's debt coverage ratio and unlock at least \$5 billion in additional borrowing capacity over the following ten years. To ensure that the state can cover the out-year costs of new bonds backed by the CTF, \$100 million



is withheld in the CTF to account for future debt service payments.<sup>3</sup> The maintenance of this funding in the CTF is crucial to the long-term sustainability of this transportation-financing strategy, and should be maintained by the Legislature if they adopt the Governor’s proposal.

*Supplemental Surtax Spending Plan*

In the supplemental surtax spending plan filed alongside her House 1 budget proposal, Governor Healey appropriates \$1.32 billion in excess surtax revenues currently held in the Education and Transportation Innovation & Capital Fund. Of that total, \$857 million (almost 65 percent) is dedicated to transportation investments.

Notably, the administration recommends using \$300 million to replenish several MBTA reserves which were previously depleted to cover operating costs. The administration anticipates that this funding, in combination with the increased operating support for the MBTA made possible by the permanent CTF transfer, will enable the MBTA to close operating deficits between FY 2026 and FY 2028, by providing 90 percent of the shortfall with state resources, while requiring the authority to close the remaining 10 percent.

*Supplemental Surtax Spending for Transportation*

Investments	Proposed Funding
<b>MBTA</b>	<b>\$780.0</b>
<i>FTA Workforce &amp; Safety Reserves</i>	\$400.0
<i>Replenish MBTA Budget Reserves</i>	\$300.0
<i>Low-income Fare Implementation Reserve</i>	\$67.0
<i>Sumner Tunnel Mitigation Repayment</i>	\$13.0
<b>MassDOT</b>	<b>\$52.5</b>
<i>Winter Resilience Assistance Program</i>	\$25.0
<i>Workforce &amp; Project Delivery Reserve</i>	\$17.5
<i>Micro-transit and Last Mile Grants</i>	\$10.0
<b>RTAs</b>	<b>\$25.0</b>
<i>Workforce/Recruitment and Retention Reserve</i>	\$25.0
<b>Total</b>	<b>\$857.5</b>

*\$ in millions*

In follow-up reporting, MTF will further assess and analyze the Governor’s supplemental surtax spending plan and its specific transportation-related investments.

**Housing**

The vast majority of the state’s investment in housing production and preservation is supported by the Capital Investment Plan (CIP). However, the annual operating budget also includes funding for a variety of housing stabilization, homelessness prevention, and housing financial assistance programs. In FY 2026,

---

<sup>3</sup> Actual future debt service payments will vary based on the amount of bonds issued, but the \$100 million annual set aside is sufficient to account for any anticipated debt service payments over the next several years.



Governor Healey funds these programs at \$1.195 billion, a \$42.3 million (3.7 percent) increase over the FY 2025 budget.

*FY 2026 Housing Investments*

Category of Program	FY 2024 GAA	FY 2025 GAA	FY 2026 - Governor	Governor v. FY 2025 GAA
<b>Housing Stabilization &amp; Homelessness Prevention</b>	<b>\$517.3</b>	<b>\$543.3</b>	<b>\$552.2</b>	<b>\$8.9</b>
<i>EA Family Shelters and Services</i>	\$325.3	\$326.1	\$325.3	-\$0.8
<i>HomeBASE</i>	\$37.1	\$57.3	\$57.3	\$0.0
<i>Operation of Homeless Programs</i>	\$12.6	\$17.6	\$27.7	\$10.1
<i>Sponsor-Based Permanent Supportive Housing</i>	\$8.9	\$8.9	\$10.1	\$1.2
<b>Housing Financial Assistance</b>	<b>\$405.5</b>	<b>\$452.0</b>	<b>\$491.8</b>	<b>\$39.7</b>
<i>Massachusetts Rental Voucher Program</i>	\$179.6	\$219.2	\$253.3	\$34.1
<i>Residential Assistance for Families in Transition</i>	\$190.0	\$197.4	\$202.5	\$5.1
<b>Counseling &amp; Education Services</b>	<b>\$10.5</b>	<b>\$9.0</b>	<b>\$5.0</b>	<b>-\$4.0</b>
<b>Public Housing</b>	<b>\$108.3</b>	<b>\$114.3</b>	<b>\$117.6</b>	<b>\$3.3</b>
<b>Other Housing</b>	<b>\$32.0</b>	<b>\$34.6</b>	<b>\$28.8</b>	<b>-\$5.8</b>
<b>Total Funding Level</b>	<b>\$1,073.6</b>	<b>\$1,153.2</b>	<b>\$1,195.4</b>	<b>\$42.3</b>

*\$ in millions*

Notable housing investments in Governor Healey’s FY 2026 budget proposal include:

- **Massachusetts Rental Voucher Program** (\$253.3 million) – Funding for the MRVP program increases by \$34.1 million (16 percent) over the FY 2025 GAA, for a total appropriation of \$253.3 million. The administration anticipates this funding level to maintain the payment standard at 110 percent of small area fair market rents, to ensure the affordability of housing units. It is also projected to support the leasing of over 10K vouchers.
- **Residential Assistance for Families in Transition** (\$202.5 million) – The RAFT program is funded at a total of \$202.5 million in the Governor’s budget, an increase of \$5.1 million (2.6 percent) over the prior year.
- **Sponsor-Based Permanent Supportive Housing** (\$10.1) – The Governor’s budget includes \$10.1 million for sponsor-based permanent supportive housing, an increase of \$1.2 million over the FY 2025 GAA. This appropriation level is expected to support 16 additional supportive housing units.

*Emergency Assistance Shelter System*

The Governor’s budget proposal includes a \$325 million appropriation for the Emergency Assistance (EA) shelter system in FY 2026, consistent with the funding level for EA reflected in the FY 2025 GAA. However, as in the prior two fiscal years, the full-year costs of the program are anticipated to exceed this appropriation level.

According to the most recent biweekly report to the Legislature on the EA program, the full-year costs of the program in FY 2025 are projected to reach \$1 billion. To meet this cost, \$500 million has been made available to date through a combination of direct and supplemental appropriations supported by the Transitional

Escrow Fund (TEF). On January 6<sup>th</sup>, Governor Healey filed a supplemental budget to allocate an additional \$425 million from the TEF for the EA program and related services. If the Legislature approves the Governor’s supplemental funding request, the administration expects to cover the full year costs of the program.

*Proposed Funding for Emergency Assistance in FY 2025*

<b>FY 2025 EA Program Estimated Spending</b>	<b>\$1,064</b>
<i>FY 2025 GAA Appropriation</i>	\$325
<i>FY 2025 Supplemental Appropriation (incl. in April 2024 Supp)</i>	\$175
<i>Requested Supplemental Funding</i>	\$425
<b>Total Available Resources in FY 2025</b>	<b>\$925</b>

*\$ in millions*

Underlying the administration’s recommended funding level for EA in FY 2026 are several policy proposals the Governor has requested that the Legislature include in the EA supplemental budget. For example, the administration has proposed limiting shelter to Massachusetts residents, eliminating presumptive eligibility for services, reducing the length of stay for the Bridge Shelter Track from nine months to six months, and amending the extension criteria to encourage families to be re-housed at faster rates.<sup>4</sup> As a result of these and other policies, the administration projects that the EA caseload will decline steadily throughout the remainder of FY 2025 and into FY 2026, reaching a sustainable level of approximately 4,000 families by June 2026.

**FY 2026 Outside Policy Sections**

The Healey-Driscoll administration’s FY 2026 budget proposal includes 138 outside policy sections, 26 more than the Governor’s FY 2025 budget, but 123 fewer than the FY 2025 Conference budget.

*Policy Sections in Governor Healey’s Budget for FY 2026*

	<b>FY 2023 Governor</b>	<b>FY 2024 Governor</b>	<b>FY 2025 Governor</b>	<b>FY 2025 Conference</b>	<b>FY 2026 Governor</b>
Policy Sections	95	29	112	261	138

In FY 2025, the policy proposals in the Governor’s budget had a focus on health care – with more than 30 sections related to a revised approach to health care provider and insurer assessments – as well as an iLottery legalization proposal. The Governor’s FY 2026 budget has a wider policy range. There remain substantive health proposals, but in addition, there are a range of revenue-raising sections including 21 tax policy sections, as well as sections dealing with topics including camera enforcement of traffic stops and the elimination of renter-paid broker fees.

<sup>4</sup> Additional information on the Governor’s supplemental budget and related EA policy proposals can be found here: <https://bloximages.chicago2.vip.townnews.com/statehousenews.com/content/tncms/assets/v3/editorial/e/c8/ec8f3de6-cc7e-11ef-a7b2-1f86a00101c7/677c5b9693988.pdf.pdf>

Of the 138 sections in the Governor’s budget, only 13 are shared, in whole or in part, with the Governor’s FY 2025 proposal. These include sections to expand MassHealth’s drug rebate authority and a proposal to further increase the dedication of surtax collections to the Commonwealth Transportation Fund.

Notable policy sections include:

### ***Taxation***

*Charitable Deduction Cap (Sections 32 & 135)* – This section creates a cap on the state charitable income tax deduction, which was reinstated in 2023. Under the proposal, the deduction would be capped at \$5,000 for a single filer and \$10,000 for a joint return. This provision is effective for tax year 2025. The Governor’s budget assumes \$164 million in FY 2026 revenue from this provision.

*Taxation of Candy (Sections 46–47 & 137)* – These sections would eliminate the sales tax exemption for candy. This provision is effective for August 1<sup>st</sup> of 2025. The revenue from this change is part of a \$172 million revenue assumption related to several tax proposals.

*Estate Tax Change (Sections 48 & 137)* These sections make changes to the calculation of the estate tax relating to property located outside of Massachusetts and related to property in which the decedent has a qualifying income interest. This provision is effective for August 1<sup>st</sup> of 2025.

*Combined Group Reporting for Insurance Companies (Section 36 & 135)* – These sections would require that businesses include all affiliated insurance companies in the combined reporting of their returns. This provision is effective for tax year 2025. The revenue from this change is part of a \$172 million revenue assumption related to several tax proposals.

*Non-resident Business Transactions (Section 136)* – This proposal would define any trade or business conducted in the state by a pass-through entity as the business of an applicable non-resident owner for the purposes of apportionment, whether the interest is direct or indirect. This provision is effective for tax year 2026. The revenue from this change is part of a \$172 million revenue assumption related to several tax proposals.

*Synthetic Nicotine Products (Sections 42 & 137)* – These sections would expand the taxing definition of “cigarette” and “smokeless tobacco” to include products with synthetically derived nicotine. This provision is effective for August 1<sup>st</sup> of 2025. The revenue from this change is part of a \$172 million revenue assumption related to several tax proposals.

*Security Corporations Tax Treatment (Sections 34–35, 37, 39–40 & 135)* – These sections eliminate a section of MGL 63 specifically related to the taxation of institutions which sell securities. Under the proposed language, securities companies would no longer be subject to a unique tax regime. This provision is effective for tax year 2025. The revenue from this change is part of a \$172 million revenue assumption related to several tax proposals.

*Deeds Excise Change (Sections 43–44 & 137)* – These sections would apply the state’s deeds excise tax to sales or transfers of a controlling interest in a property, even if the transaction would not otherwise be subject to the tax. The section also caps the deeds excise deduction for assumed mortgages at \$1 million. This

provision is effective for August 1<sup>st</sup> of 2025. The revenue from this change is part of a \$172 million revenue assumption related to several tax proposals.

*Complimentary Hotel Rooms (Sections 45 & 137)* – These sections would apply the room occupancy tax to the fair market value of a hotel room provided on a free or discounted basis. This provision is effective for August 1<sup>st</sup> of 2025. The revenue from this change is part of a \$172 million revenue assumption related to several tax proposals.

*Massachusetts Opportunity Zones (Sections 31, 35 & 135)* – These sections limit any state benefits related to investments in “qualified opportunity zones” to those with a federal opportunity zone designation. This provision is effective for tax year 2025. The revenue from this change is part of a \$172 million revenue assumption related to several tax proposals.

### ***Fiscal & Revenue***

*Gaming Fund Diversion (Section 115)* – This section diverts approximately \$100 million in gaming tax revenues, otherwise dedicated to off-budget funds, to the General Fund. A similar proposal was included in the FY 2025 Conference Budget.

*Capital Gains Distribution (Section 116)* – This section would alter the distribution of above threshold capital gains resources in FY 2026 so that 65 percent (\$432.9 million) would be applied to the state’s pension contribution, 20 percent (\$133.2 million) would go to the Stabilization Fund, and 15 percent (\$99.9 million) would go to the State Retiree Benefits Trust Fund. Without a change, 90 percent would go to the Stabilization Fund and the remaining 10 percent would be split between pension and retiree health benefit obligations.

*COVID Spending Recoupment (Section 117)* – This section would allow up to \$200 million appropriated in two COVID-era recovery bills to be recouped to the General Fund, if the appropriations have not yet been spent.

### ***Health Care***

*Pharmaceutical Tax (Sections 41 & 76)* – These sections would create a new tax on the manufacturers of pharmaceuticals whose price, in a given year, increases by tan the annual rate of increase in the consumer price index. Price increases would be defined compared to the price of the drug as of the start of 2025, or whenever the drug was first marketed. The amount of the tax would be 80 percent of the amount of the increase deemed excessive. The tax would apply to any affected manufacturer with Massachusetts drug sales over more than \$100,000 in the prior year. This proposal is effective beginning October 1, 2025. The Baker Administration put forward a similar proposal in 2021.

*Expanded Pharmaceutical Rebates (Section 72)* – This section would expand MassHealth’s authority to negotiate supplemental rebates to non-drug products and pharmaceuticals not currently covered by the MassHealth rebate program. This proposal has been included in previous budgets by the administration and the Senate.

*Personal Care Attendant Cost Growth (Section 73)* – This section directs the Executive Office of Health & Human Services to limit annual cost growth in the MassHealth PCA program to more than the annual health

care cost growth benchmark. EOHHS is required to annually report to the administration and House and Senate Ways and Means Committees the cost of the PCA program, projected cost growth in the program, and measures to be taken to limit cost growth to no more than the applicable benchmark.

*DPH Determination of Need Fee (Section 64)* – This section increases the application fee for health provider Determination of Need filings. The fee is currently capped at 0.2 percent of capital expenditures proposed by the applicant. This section would increase the fee to 0.7 percent of capital expenditures.

*Connector Pilot Program (Sections 111–112 & 114)* – These sections would extend an existing ConnectorCare pilot program, which provides coverage to those with income up to 500 percent of the Federal Poverty Level, to the end of 2026. Currently, the pilot is due to sunset after two years, at the end of 2025. The cost of the extension is expected to be borne by resources within the Commonwealth Care Trust Fund.

*MassHealth Ambulance Payments (Section 113)* – This section allows MassHealth to pay ambulances at either the Medicare or MassHealth member rate for ambulance services.

*MassHealth Pharmacy Assessment (Section 78)* – This section authorizes MassHealth to assess a fee on all prescriptions dispensed in the Commonwealth. The fee would be the lesser of \$2 per prescription and 6 percent of the revenues received by the pharmacy in an applicable period. According to materials released with the budget, this assessment will generate \$145 million, while also being linked to \$165 million in increased MassHealth payments to pharmacies.

*Nursing Facility User Fee (Section 74)* – This section would allow the annual nursing home user fee to exceed \$240 million. Under current law, the fee is capped at the lesser of \$240 million or 6 percent of nursing home revenues. The proposal would simply cap the fee at 6 percent. This change is estimated to increase revenue by approximately \$20 million, which partially offsets increases in MassHealth Senior Care payments.

*Universal Adult Vaccine Program (Sections 57–63, 75–77 & 121)* – These sections create a new universal adult vaccine program. A trust fund, created in the proposal, would support non-federal costs of vaccine programs for vaccines recommended for coverage by the Vaccine Program Advisory Council. Health providers and pharmacies authorized to administer vaccines will be required to provide vaccines funded through the program.

*Pappas Facility Closure (Sections 65–67, 122–123 & 140)* - These sections authorize the Department of Public Health to close the Pappas Rehabilitation Hospital for Children in Canton and consolidate its services with Western Massachusetts Hospital. Pappas currently serves children with multiple disabilities.

*Behavioral Health Trust Fund Use (Section 16)* – This section expands the eligible areas of spending for the Behavioral Health Access and Crisis Intervention Trust Fund to support a “continuum of care” of behavioral health services.

*Senior Care Options Eligibility (Sections 69–71 & 136)* – These sections limit eligibility for the state’s Senior Care Options program to MassHealth members who are also eligible for Medicare and 65 or older.

## **Transportation**

*Camera Enforcement of Speeding (Sections 4, 49–50, 56 & 132–133)* – These sections empower MassDOT to create a camera enforcement of speeding program to be implemented by MassDOT and participating municipalities. The sections lay out provisions of the program, by which cameras can be used to create speeding citations. In order to participate in the program, municipalities must have a program implementation plan approved by MassDOT. MassDOT must develop regulations for the program by the end of 2026.

*Electronic Titles (Sections 53–55, 131)* – These sections allow the Registry of Motor Vehicles to credit an electronic process for conveying vehicle title in a sale or other transaction.

*MBTA Advisory Board (Sections 23–24, 26–27)* – These sections would make employees of the MBTA Advisory Board eligible for state pension and health insurance benefits.

## **Other**

*Residential Broker Fees (Sections 68 & 79)* – These sections state that only the party contracting with a real estate broker in a rental transaction can pay the broker’s fee.

*Department of Energy Resource Assessment Authority (Section 13)* – This section changes the calculation for the assessment DOER applies to cover operation costs to no more than 0.3 percent of intrastate operating revenues for applicable entities. The new language also broadens the operating and administration costs for which DOER can assess.

*Treasurer Retirement Programs (Sections 18–22)* – These sections allow the Treasurer to presumptively enroll state employees in a deferred compensation program unless the employees opt out. The sections would also allow non-profits with up to 100 employees to participate in the Treasurer’s retirement savings program. Currently, the program is only available to non-profits with up to 20 employees.

*Creditable Service and Leave (Section 25)* – This section would count as creditable service any leave any parental, family, or medical leave that is used in conjunction with Parental Family & Medical Leave.

---

## **Bottom Line**

The Healey-Driscoll administration has put forward a \$62.07 billion spending plan for FY 2026. This proposal increases spending over the FY 2025 GAA by \$4.3 billion (7.4 percent), and over the administration’s estimated FY 2025 spending level of \$60.256 billion by \$1.8 billion (2.1 percent).

In FY 2026, state budget writers face a serious challenge: managing billions of dollars in non-discretionary spending increases and other initiatives with very limited revenue growth. The consensus revenue agreement established a conservative growth assumption for non-surtax revenues in FY 2026 of only 2.25 percent, providing budget writers with less than \$150 million in new base revenues to support spending. While the surtax spending cap increases by \$650 million to \$1.95 billion, those resources are constitutionally obligated towards only education and transportation. As a result of these constraints, the Governor’s budget relies on

nearly \$2 billion in revenue-generating initiatives and one-time resources, including a dozen tax policy proposals expected to provide approximately \$379 million in new spending support.

In the coming weeks, MTF will publish detailed analyses of the Governor's revenue proposals. And while policymakers should seek to minimize the use of one-time resources to support ongoing operating costs and work to keep spending to sustainable levels, the Healey administration also deserves credit for maintaining the state's commitment to several key priorities. The budget filed today continues to build the balance of the Stabilization Fund, increases payments towards long-term liabilities, keeps the state on track to fully fund the Student Opportunity Act by FY 2027, sustains funding for the C3 childcare operational grant program, and includes a record level of investment towards the MBTA.

The administration also wisely seeks to maximize the impact of the income surtax by increasing and creating dedicated revenue streams for the Commonwealth Transportation Fund and higher education capital improvement projects, allowing the state to significantly increase its borrowing capacity. Each of these proposals represents a creative solution to address constraints on the state's Capital Investment Plan, and should be considered by the Legislature.

Lastly, the operating budget proposal filed by Governor Healey today is complemented by the administration's plan to spend \$1.32 billion in supplemental surtax revenues currently held in the Education and Transportation Innovation & Capital Fund. Across the two bills, \$3.27 billion in total surtax spending is made available and those resources are split equally: \$1.65 billion (50.4 percent) for education and \$1.62 billion (49.6 percent) for transportation.