

10 Key Questions for the Senate Ways & Means Budget

1. How does spending in the SWM budget compare to the FY 2025 budget signed into law last July, Governor Healey's FY 2026 budget proposal, and the House budget?

The SWM budget for FY 2026 spends approximately \$650 million less than the Governor and \$150 million less than the House. Spending in the SWM budget totals \$61.42 billion, a \$3.6 billion (6.3 percent) increase over the FY 2025 GAA and a \$1.2 billion (1.9 percent) increase over the administration's estimated spending level for the current fiscal year. Compared to the House budget, the SWM proposal reflects reduced spending levels for the MBTA and supplemental nursing home rates. There is also less funding included out of committee for local earmarks; however, that spending is typically added during the debate process.

2. Does the SWM budget adjust state tax revenue assumptions for FY 2026?

The SWM does not adjust the state tax revenue benchmark for FY 2026 of \$41.214 billion. As previously described by MTF, the high degree of economic uncertainty caused by recent federal actions has raised legitimate questions regarding current revenue assumptions for FY 2026. However, while all budget decisions should be made within the context of that uncertainty, MTF strongly recommends that policymakers hold on adjusting the revenue benchmark until June. The SWM budget adopts that recommendation. Additional time to assess state tax revenue collections, understand the federal budget process, and track broader economic trends will only improve policymakers' ability to make informed decisions regarding the resources available to support the state budget in the upcoming fiscal year.

3. What level of revenue-generating initiatives is relied upon to support spending in the SWM budget, and does the Senate proposal reflect any tax policy changes?

The SWM budget utilizes \$1.79 billion in revenue solutions to support spending in FY 2026, but it does not reflect any of the tax policy changes proposed by the Governor. Nearly all of the proposals included in the SWM budget were originally put forward by the Governor; however, the SWM relies on a greater amount of above-threshold capital gains collections and recouped COVID-era grants than either the administration or the House.

4. Does the SWM budget divide income surtax-supported spending between the education and transportation sectors?

No. The Senate does not succeed in dividing surtax revenues equally between the education and transportation sectors. When assessed together, spending across their FY 2026 operating budget proposal and the Innovation and Capital Fund supplemental budget remains more heavily weighted towards education (55 percent) than transportation (40 percent). As MTF has written previously, achieving an even division of surtax revenues across the sectors is important for two reasons: 1) to ensure that both education and transportation receive their fair

share of surtax resources, 2) to provide predictability and stability to each sector. Reliability of revenues is key to making meaningful progress on both operating and capital funding goals.

5. Does the SWM budget adopt the Governor’s proposal to reallocate a greater share of above-threshold capital gains revenue towards the state’s pension and post-retiree benefit liabilities?

Yes. The SWM budget does reflect a proposal to use above-threshold capital gains revenue for the state’s pension and post-retiree benefit liabilities. However, their proposal is distinct from the one proposed by the Governor and adopted by the House. Under the SWM budget, 90 percent of above-threshold capital gains would go toward the Pension Fund; compared to 65 percent under the Governor’s and House budgets. This proposal ultimately increases the level of one-time resources to balance the SWM budget by \$166 million.

6. Does the Senate adopt the Governor’s proposals to securitize dedicated streams of surtax revenue in support of expanding higher education capital spending capacity?

No. The SWM budget does not reflect the Governor’s proposal to securitize \$125 million in surtax revenue for higher education capital needs. Instead, through the Innovation & Capital Fund supplemental budget, the Senate proposes using \$175 million in one-time funds to address a portion of the deferred maintenance backlog at public institutions of higher education. MTF is supportive of the administration’s plan to securitize a dedicated stream of surtax revenues for higher education. Through the permanent allocation of those resources, the administration anticipated the ability to support the issuance of up to \$2.5 billion in Special Obligation (SO) bonds over the next ten years. Ultimately, that would have allowed the state to significantly increase total capital-related spending for higher education; and because the new capital spending would be supported by SO bonds, it would not be limited by the state’s bond cap. According to the report of the [Higher Education Capital Working Group](#) released in January 2025, total deferred maintenance needs across Community Colleges, State Universities, and the University of Massachusetts exceed \$5.5 billion.

7. How does spending for the MassHealth program under the SWM budget compare to other areas of investment, as well as to the Governor’s budget proposal?

The SWM budget funds MassHealth at \$22.4 billion, an increase of \$850 million (4 percent) compared to estimated spending levels for FY 2025 and \$2.3 billion (12 percent) more compared to the FY 2025 GAA. SWM reduces funding for MassHealth compared to the Governor’s budget by \$187.7 million. Spending reductions apply to two programs: MassHealth Senior Care (\$26.8 million cut) and MassHealth Fee for Service (\$160.9 million cut). Unlike the House, the SWM budget does include any increased funding for MassHealth compared to the Governor’s budget. Despite this lower funding level, MassHealth spending growth makes up the majority of all spending increases in the SWM budget, representing 64 percent of new budgeted spending compared to the FY 2025 GAA.

8. Under the SWM spending proposal, is growth in local aid for cities and towns tied to the consensus revenue growth estimate?

Yes. The SWM budget funds Unrestricted General Government Aid (UGGA) at \$1.33 billion, a \$28.8 million (2.2 percent) increase over the prior year; level with the Governor’s budget and consistent with consensus revenue growth estimates. The House budget did not provide an increase for local aid in FY 2026, instead level funding the program with the FY 2025 GAA.

9. Does the SWM budget continue to support Student Opportunity Act implementation, moving towards full implementation by FY 2027?

Yes. The SWM budget funds Chapter 70 state aid at a level consistent with fully funding the fifth year of SOA implementation. Additionally, the Senate proposes funding minimum aid at \$150 per pupil. The Senate's funding level for Chapter 70 is essentially level with the House and is \$39.7 million higher than the Governor's budget. To cover the costs of Chapter 70 in FY 2026, the SWM budget relies on a combination of General Fund (\$6.8 billion), SOA Investment Fund (\$200 million), Education Fund (\$44.7 million), and income surtax revenues (\$265 million).

10. Does the SWM budget reflect the administration's transportation finance strategy and the recommendations of the Transportation Finance Task Force?

In part. The SWM budget reflects several elements of the Governor's transportation finance strategy – including an increased deposit of surtax revenues into the Commonwealth Transportation Fund – but it includes significantly less funding for the MBTA. The Senate proposes increasing the annual deposit of surtax revenues into the CTF from \$250 million to \$600 million, which would allow the state to increase its borrowing capacity for transportation over the following ten years. For the MBTA, the Senate dedicates a total of \$890 million across their FY 2026 operating budget proposal and the Innovation and Capital Fund supplemental budget. This is \$590 million less than the \$1.48 billion reflected in the House's spending bills. While the House's funding level for the MBTA was intended to close 90 percent of the authority's operating budget deficits over the following three years, it is unclear what the impact of the Senate's proposal would be.