



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

MTF Report

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House Ways & Means Fiscal Year 2027 Budget

The House Committee on Ways and Means (HWM) released its Fiscal Year (FY) 2027 budget proposal earlier today; a spending plan that totals \$63.33 billion. Their budget represents a \$2.3 billion (3.7 percent) increase over the FY 2026 General Appropriations Act (GAA) and is \$29 million (0.05 percent) less than Governor Healey’s budget.

Compared to the administration’s recommendations, the HWM budget increases spending levels modestly in the areas of housing, public safety, and MassHealth; increases which are offset by lower funding levels for local aid, support services, and transportation. But despite these unique priorities, the committee’s spending plan is most notable for how it largely adheres to the spending and revenue framework proposed by the Governor.

The HWM budget also includes 73 outside policy sections, which reflect several of the administration’s fiscal initiatives, while also proposing a new mechanism to increase cost of living payments for state retirees, putting fiscal controls on sheriffs, and using data collection and sharing of best practices to address rising special education transportation costs.

Earlier in March, the House also adopted an Innovation and Capital Fund supplemental budget that included \$1.29 billion¹ in spending supported by excess surtax revenues collected in FY 2025. Much of that spending is intended to supplement the chamber’s FY 2027 operating budget proposal, and so in the analysis that follows, supplemental spending is considered alongside operating budget spending to provide a wholistic description of the resources available in FY 2027.

HWM Budget Overview

The HWM budget includes \$63.33 billion in total spending, a \$2.3 billion (3.7 percent) increase over the FY 2026 GAA and \$29 million (0.05 percent) less than Governor Healey’s recommendation. After accounting for \$7.9 billion in statutorily required transfers and other off-budget spending, the HWM budget includes \$71.22 billion in total spending commitments.

¹ The House adopted H.5264 on March 18, 2026. Total spending in the bill is \$1.85 billion, of which \$1.29 billion is supported by excess surtax revenues currently held in the Innovation and Capital Fund.

FY 2027 HWM Budget Spending Overview

	FY 2026 GAA	Governor's Budget	HWM Budget	\$ v. FY 2026 GAA	% v. FY 2026 GAA
Line-Item Spending	\$58,073.0	\$60,113.7	\$60,084.6	\$2,011.7	3.5%
Surtax Spending	\$2,400.0	\$2,700.0	\$2,700.0	\$300.0	12.5%
Medical Asst. Trust Fund	\$547.6	\$548.0	\$548.0	\$0.5	0.1%
B.H. Outreach, Access, Support	\$25.4	\$0.0	\$0.0	-\$25.4	-100.0%
Total Line-Item Spending	\$61,046.0	\$63,361.7	\$63,332.7	\$2,286.7	3.7%
Pre-Budget Transfers	\$7,651.0	\$7,887.0	\$7,887.0	\$236.0	3.1%
Other Off-Budget	\$100.0	\$0.0	\$0.0	-\$100.0	-100.0%
Total Spend	\$68,797.0	\$71,248.7	\$71,219.7	\$2,422.7	3.5%

\$ in millions

The HWM budget is supported by \$71.38 billion in total revenues, primarily comprised of the non-surtax consensus revenue figure of \$42.2 billion agreed to by the Healey administration, House, and Senate budget leaders in January. It also relies on \$2.7 billion in revenue generated by the income surtax, consistent with the total surtax revenue projection for the next fiscal year.

The House's proposal is supported by \$15.86 billion in federal revenue and reimbursements, as well as \$9.58 billion in departmental, lottery, and other revenues. There are approximately \$2.6 billion in revenue-generating initiatives included in the HWM budget, \$1.4 billion of which MTF categorizes as one-time solutions.²

FY 2027 HWM Budget Revenue Overview

	FY 2026 GAA	Governor's Budget	HWM Budget	\$ v. FY 2026 GAA	% v. FY 2026 GAA
Total Tax Revenue	\$43,563.8	\$45,092.5	\$45,092.5	\$1,528.7	3.5%
<i>Consensus Tax Agreement</i>	<i>\$41,214.0</i>	<i>\$42,200.0</i>	<i>\$42,200.0</i>	<i>\$986.0</i>	<i>2.4%</i>
<i>Cap Gains Diversion</i>	<i>-\$100.0</i>	<i>-\$256.0</i>	<i>-\$256.0</i>	<i>-\$156.0</i>	<i>156.0%</i>
<i>Tax Settlements</i>	<i>\$50.0</i>	<i>\$50.0</i>	<i>\$50.0</i>	<i>\$0.0</i>	<i>0.0%</i>
<i>Fed. Conformity Phase-In</i>	<i>\$0.0</i>	<i>\$108.0</i>	<i>\$108.0</i>	<i>\$108.0</i>	<i>--</i>
<i>PTE Expansion</i>	<i>\$0.0</i>	<i>\$296.0</i>	<i>\$296.0</i>	<i>\$296.0</i>	<i>--</i>
<i>Tax Initiatives</i>	<i>\$0.0</i>	<i>-\$5.5</i>	<i>-\$5.5</i>	<i>-\$5.5</i>	<i>--</i>
<i>4% Income Surtax</i>	<i>\$2,399.8</i>	<i>\$2,700.0</i>	<i>\$2,700.0</i>	<i>\$300.2</i>	<i>12.5%</i>
Federal Revenue	\$15,609.6	\$15,828.8	\$15,859.0	\$249.4	1.6%
Dept. Revenue & Transfers	\$10,101.1	\$9,566.9	\$9,582.5	-\$518.6	
Trust Funds Used	\$315.0	\$827.0	\$851.8	\$536.8	170.4%
Total Revenue	\$69,589.5	\$71,315.3	\$71,385.8	\$1,796.3	2.6%

\$ in millions

² The HWM budget relies upon approximately \$1.4 billion in one-time revenue solutions to support spending in FY 2027. When the capital gains threshold adjustment is included, the amount of one-timers increases to \$1.8 billion.

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

- 1. Spending in the HWM Budget is \$63.33 billion, \$29 million less than the proposal put forward by Governor Healey and representing 3.7 percent growth over the FY 2026 GAA.** This is the third year in a row in which the HWM budget spends less than the Governor, though the gap is much closer than in FY 2025 or FY 2026.
- 2. To close an estimated \$3.5 billion budget gap and support spending, the House relies on \$2.6 billion in revenue solutions, largely adopting the framework recommended by the Governor.** HWM assumes slightly more in revenue from iLottery than the administration, and takes a slightly different approach in the treatment of capital gains, but overall the two gap closing approaches are nearly identical.
- 3. Surtax spending in the HWM budget totals \$2.7 billion and is divided between education (\$1.7 billion, 64 percent) and transportation (\$975 million, 36 percent).** When adding funding included in the House’s recently passed Innovation and Capital supplemental budget, total House surtax spending equals \$3.99 billion, split 55 percent for education and 45 percent for transportation. HWM does not adopt the Governor’s proposal to permanently increase the level of surtax revenue dedicated to the Commonwealth Transportation Fund from \$550 million to \$975 million.
- 4. The House budget includes notable spending proposals related to K-12 minimum aid, targeted scholarship programs, and workforce supports for emergency shelters.** By and large, the spending framework in the administration and HWM budgets is very similar; HWM funding levels are within two percent of the administration proposal for 80 percent of line items.
- 5. Outside policy sections include new proposals related to special education transportation, HIV prevention medication, and state pension benefits.** HWM adopts recommendations from a recent special commission to set aside 10 percent of greater than expected pension fund investment returns to increase the pension on which cost of living increases for retirees are provided. HWM also implements several Inspector General recommendations intended to control special education transportation costs.

State Fiscal Overview

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

As MTF described in a [recent report](#), several factors—including recent trends in state tax revenue collections, non-discretionary spending pressures, and an increased reliance on one-time revenues to balance the budget—have contributed to a sizeable budget gap for FY 2027. MTF initially estimated the gap to exceed \$3.5 billion, and policymakers must close this gap to produce a balanced budget.

MTF Estimate of FY 2027 Budget Gap

Revenue	FY 2026 Base	Est. Growth	FY 2027
Non-Surtax Revenues	\$41,214	2.4%	\$42,200
Surtax Revenue	\$2,400	12.5%	\$2,700
Medicaid Reimbursement	\$13,772	14.3%	\$15,741
Other Ongoing Revenues	\$10,400	3.0%	\$10,712
One-Time Solutions	\$1,531	0.0%	\$0
Total revenue	\$69,317		\$71,353
Spending	FY 2026 Base	Est. Growth	FY 2027
Pre-Budget Transfers	\$8,317	3.5%	\$8,611
GAA Base	\$31,543	3.5%	\$32,647
Medicaid	\$22,128	14.3%	\$25,292
Chapter 70	\$7,362	3.3%	\$7,604
Est. Supplemental Spending	\$1,000	0.0%	\$1,000
Total Spending	\$70,350		\$75,154
Initial Gap			(\$3,801)

\$ in millions

The Governor’s budget closed a gap similar in size to MTF’s estimate through a combination of spending and revenue solutions, and the HWM budget largely adopts the same framework. Their proposal utilizes one-time and ongoing revenue adjustments to close approximately 70 percent of the gap and spending-side solutions to close the remaining 30 percent. These solutions are further detailed later in the report.

While it is not uncommon to identify a gap between available resources and spending needs at the beginning of the budget development process, the gap facing budget writers in FY 2027 is larger than in recent years. The efforts required to close this gap explain the modest spending increases seen across most areas of the budget and the limitations policymakers face in supporting new investments.

FY 2026 Revenue Trends to Date

Through March, state tax revenue collections for FY 2026 total \$30.66 billion, \$653 million (2.2 percent) above benchmark and \$980 million (3.3 percent) ahead of collections in FY 2025.

FY 2026 Revenue Collections Year-to-Date (March)

	FY 2026 YTD	FY 2025 v. FY 2026	Growth to Date v. FY 2025	YTD v. Benchmark	Growth to Date v. Benchmark
Withholding	\$15,331	\$849	5.9%	\$159	1.0%
Non-Withholding	\$3,192	\$358	12.6%	\$652	25.7%
Sales	\$7,149	\$28	0.4%	\$15	0.2%
Corporate/Business	\$2,820	-\$383	-12.0%	-\$419	-12.9%
Other	\$2,169	\$129	6.3%	\$245	12.7%
Total	\$30,661	\$981	3.3%	\$652	2.2%

\$ in millions

Compared to last year, the two revenue sources most reflective of current economic conditions – withheld income taxes and sales taxes – are showing modest growth or remaining largely flat. Withheld income tax collections are up 5.9 percent over FY 2025, while sales tax collections are only slightly higher, growing 0.4 percent year over year.

By contrast, non-withheld income, the state’s most volatile revenue category, is 12.6 percent (\$358 million) ahead of FY 2025. However, it is unclear how much of this growth is related to the income surtax. This distinction is important given the unique process used to collect and spend surtax revenue. Corporate and business tax collections consistently remained below last year’s pace throughout the fiscal year.

Importantly for the FY 2027 budget development process, revenue trends in FY 2026 indicate a state economy that is stable but still requires close monitoring. April revenue collections, which will be reported in early May, represent the most important factor for budget writers. If collections meet benchmark, policymakers will have more flexibility in managing the final months of FY 2026 and constructing a sustainable FY 2027 budget. If collections underperform, however, several budget-balancing solutions for FY 2026 and FY 2027 may be at risk.

FY 2027 HWM Budget – Revenue & Resources

The HWM budget relies on \$71.38 billion in total state revenue to support spending in FY 2027. To assess the resources used by the House, this report organizes them into four categories: (1) baseline tax revenues, (2) income surtax revenues, (3) revenue initiatives, and (4) non-tax revenues.

Baseline Tax Revenues

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

Pre-Budget Transfers

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

The pre-budget transfers reflected in the HWM budget total \$7.9 billion, a \$237 million increase over the transfers required in FY 2026 and are equal to the Governor’s budget.

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

FY 2027 Pre-Budget Transfers

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

\$ in millions

Capital Gains Revenues

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

In FY 2027, total capital gains collections are anticipated at \$2.5 billion; an increase of \$179 million (7.7 percent) over FY 2026. Under current statute, the FY 2027 capital gains threshold is \$1.78 billion, resulting in a projected Stabilization Fund deposit of \$651 million.

The Governor’s budget proposes to adjust the FY 2027 capital gains threshold to \$2.25 billion and establishes that as the new threshold for future fiscal years. This adjustment was based on the recommendations of the Stabilization Fund and Long-Term Liability Financing Task and is adopted by the House, in part. The HWM budget increases the FY 2027 capital gains threshold to \$2.25 billion, but does not use that amount as the new base for the threshold moving forward.

The HWM budget also proposes a new distribution of capital gains collections above the threshold, different from the administration. Through outside section language, the House directs 65 percent of above-threshold collections to the State Retiree Benefits Trust Fund, 20 percent to the Stabilization Fund, and 15 percent to the Pension Fund.

Capital Gains Threshold Adjustment and Excess Distribution in the HWM Budget

FY 2027 Capital Gains Estimate			
FY 2027 Capital Gains Estimate		\$2,506	
FY 2027 Capital Gains Threshold		\$2,250	
Above Threshold Collections		\$256	
Gov Proposed Distribution		HWM Proposed Distribution	
53.1% to State Retiree Benefits	\$136	65% to State Retiree Benefits	\$166
39.1% to Stabilization Fund	\$100	20% to Stabilization Fund	\$51
7.8% to Disaster Relief & Resiliency	\$20	15% to Pension Fund	\$38

\$ in millions

Stabilization Fund Deposit

Based on the proposed transfer of above-threshold capital gains collections in the HWM budget, the balance of the Stabilization Fund would reach \$8.19 billion at the end of FY 2027. This is a slightly lower balance than projected by the administration, which was \$8.24 billion.

FY 2027 Stabilization Fund Estimate

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

\$ in millions

Baseline Tax Revenues Available for Budgeted Spending

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

Income Surtax Revenue

Surtax Revenue in the Operating Budget

The HWM budget relies on \$2.7 billion in income surtax revenue to support education and transportation spending in the operating budget. This figure is consistent with the income surtax projection agreed to by the administration, House, and Senate during the consensus revenue process and it represents a \$300 million increase over the \$2.4 billion surtax spending cap in the FY 2026 GAA.

As MTF described in the [FY 2027 Budget Deep Dive on Surtax Spending](#), this is the second year in a row in which policymakers have chosen to set the surtax spending cap at a level equal to the total surtax revenue projection. This creates two potentially significant challenges for continuing to use the surtax equitably and sustainably:

1. Incorporating a majority of surtax revenue collections into the operating budget, and shifting major program costs onto the surtax, threatens the long-term structural stability of the overall state budget. The majority of surtax revenues are collected through non-withheld income, the most volatile category of revenue.
2. Increasing the amount of surtax revenue available to support the operating budget leaves fewer resources for the Innovation and Capital Fund to be able to invest in critical capital and infrastructure projects, especially in the transportation sector.

The sections that follow provide additional detail on the surtax investments included in the HWM budget. At a high level, the House directs \$1.725 billion (64 percent) of surtax revenues towards education and \$975 million (36 percent) towards transportation. This is the same distribution between the education and transportation sectors as seen in the Governor's budget, though specific categories of investment differ slightly.

Surtax Spending in the HWM Budget by Category

	FY 2026 GAA	FY 2027 Governor	FY 2027 HWM	HWM v. FY 2026	% of Total (HWM)
Education	\$1,688	\$1,725	\$1,725	\$37	63.9%
<i>Early Education</i>	\$661	\$636	\$599	-\$62	22.2%
<i>K-12 Education</i>	\$760	\$853	\$868	\$108	32.2%
<i>Higher Education</i>	\$267	\$236	\$258	-\$9	9.6%
Transportation	\$712	\$975	\$975	\$263	36.1%
<i>MBTA</i>	\$0	\$470	\$470	\$470	17.4%
<i>MassDOT</i>	\$0	\$220	\$220	\$220	8.2%
<i>RTAs</i>	\$162	\$185	\$185	\$23	6.8%
<i>Other/Local Transpo</i>	\$0	\$100	\$100	\$100	3.7%
<i>Undesignated CTF</i>	\$550	\$0	\$0	-\$550	0.0%
Total Investments	\$2,400	\$2,700	\$2,700	\$300	

\$ in millions

Supplemental Surtax Revenue

On March 18th, the House finalized its version of the 2026 Innovation and Capital Fund supplemental budget, spending \$1.29 billion in surplus surtax revenue collected in FY 2025 and currently held in the Education and Transportation Innovation and Capital Fund.³

While the House bill allows for certain supplemental appropriations to be expended over multiple fiscal years, many of the investments are specifically intended to complement the FY 2027 operating budget. For that reason, in the related spending sections of this report, supplemental surtax spending is analyzed alongside the HWM budget.

Combining the operating budget and the Innovation and Capital Fund supplemental budget, the House spends \$3.99 billion in surtax revenue in FY 2027. Because spending in the supplemental budget is more heavily weighted towards the transportation sector than education, the overall distribution of surtax revenues by the House moves closer to an even divide.

Total Surtax Spending Proposed by the House in FY 2027

	FY 2027 - HWM	Innovation & Capital Fund (2026)	Total Proposed Surtax	% of Total
Education	\$1,725	\$456	\$2,181	55%
<i>Early Education</i>	\$599	\$189	\$788	20%
<i>K-12 Education</i>	\$868	\$214	\$1,082	27%
<i>Higher Education</i>	\$258	\$53	\$311	8%

(table continues below)

³ Total spending in the House version of the 2026 Innovation and Capital Fund supplemental budget was \$1.85 billion, including \$1.29 billion supported by the surtax and \$561 million in other mid-year supplemental appropriations.

	FY 2027 - HWM	Innovation & Capital Fund (2026)	Total Proposed Surtax	% of Total
Transportation	\$975	\$834	\$1,809	45%
<i>MBTA</i>	\$470	\$740	\$1,210	30%
<i>MassDOT</i>	\$220	\$60	\$280	7%
<i>RTAs</i>	\$185	\$25	\$210	5%
<i>Local/Pilot Program</i>	\$100	\$9	\$109	3%
<i>Undesignated CTF</i>	\$0	\$0	\$0	0%
Other Initiatives	\$0	\$0	\$0	0.0%
Total Investments	\$2,700	\$1,290	\$3,990	

\$ in millions

Revenue Initiatives

As referenced above, to close a projected budget gap and support spending needs in FY 2027, Governor Healey proposed a range of one-time and ongoing revenue solutions that totaled approximately \$2.6 billion. The HWM budget largely adopts the Governor’s proposals, with several notable differences:

- **Capital Gains Threshold Adjustment** (\$467 million) – The Healey administration proposed increasing the capital gains threshold to \$2.25 billion in FY 2027 and establishing that as the new baseline going forward. While the House also increases the threshold to \$2.25 billion in FY 2027, they do not use it as a permanent baseline. As a result, the \$467 million revenue gain from this proposal represents a one-time revenue solution in the HWM budget.
- **Education-Related Trusts** (\$852 million) – The HWM budget relies on \$852 million in education-related trust fund resources to support spending in FY 2027, this is \$25 million more than the amount tapped by the administration. The difference is driven by a more optimistic assumption of revenue generated by the online lottery; the HWM budget assumes \$100 million compared to the administration’s assumption of \$75 million.

The HWM budget maintains the administration’s revenue assumptions tied to tax conformity changes and the expansion of the Pass-Through Entity (PTE) excise included in the Innovation and Capital Fund supplemental budget, assumes \$100 million in savings related to the administration identifying operational and programmatic savings, and also relies on approximately \$250 million in other department and trust fund initiatives to balance the budget.

FY 2027 Proposed Revenue Initiatives, Governor v. HWM Budget

Proposal	Gov's Revenue Assumption	HWM Revenue Assumption
Pension Fund Schedule Adjustment	\$277.0	\$277.0
Capital Gains Threshold Adjustment	\$467.0	\$467.0
Capital Gains OPEB Dedication	\$100.0	\$100.0
OB3 Delayed Conformity	\$108.0	\$108.0
Expanded Pass-Through Entity Excise	\$296.0	\$296.0
Education-Related Trust Funds	\$826.8	\$851.8
Surplus Surtax Revenue	\$150.0	\$152.0

Efficiencies & Effectiveness Initiative	\$100.0	\$100.0
Other Departmental & Trust Initiatives	\$250.0	\$250.0
Total Revenue Solutions	\$2,574.8	\$2,601.8

\$ in millions

Non-Tax Revenues

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

Federal & Departmental Revenues

The most table non-tax revenue sources used in the HWM budget include:

- **State Medicaid Reimbursements** (\$14.14 billion) – Massachusetts receives significant federal reimbursement for spending on the state’s Medicaid program, known as MassHealth. The HWM budget assumes total federal reimbursement for Medicaid spending to reach \$14.14 billion in FY 2027, \$368 million greater than the reimbursement amount assumed in the FY 2026 GAA and \$30 million more than the administration’s assumption for next fiscal year. This higher reimbursement level is likely related to the House’s \$68 million increase in funding for MassHealth compared to the Governor, which appears driven by a proposal to cap adult dental benefits at \$1,725 annually. The administration proposed capping adult dental benefits at \$1,000 annually.
- **Gaming** (\$369 million) – The HWM budget assumes \$369 million in gaming revenues for FY 2027, a decrease of \$13.4 million compared to the Governor’s budget. This difference is largely due to HWM leaving a larger share of gaming revenue in off-budget trusts for community mitigation and the horse race sector compared to the administration.
- **Lottery** (\$1.32 billion) – Net profits from the Lottery are assumed to be \$1.32 billion in FY 2027, a \$78 million increase compared to the FY 2026 GAA and \$25 million greater than the Governor’s budget. This total includes a \$100 million assumption related to online lottery revenues, which are dedicated to the Early Education and Care Operational Grant Fund. The administration assumed that online lottery revenues would reach \$75 million in FY 2027.

Trust Fund Resources

As noted above, the HWM budget spends down \$852 million from trust funds created in recent years to maintain K-12 and early education investments:

- *Student Opportunity Act Investment Fund* (\$568 million) – The HWM budget plans to use \$568 million from the SOA Investment Fund to cover approximately six percent (\$400 million) of Chapter 70 state aid costs in FY 2027 and 26 percent of the Special Education Circuit Breaker appropriation (\$168 million). As in the Governor’s budget, this would deplete existing resources in the fund.
- *High-Quality Early Education and Care Affordability Fund* (\$183.7 million) – To support a portion of Child Care Financial Assistance costs in FY 2027, the HWM budget uses \$183.7 million from the High-Quality Early Education and Care Affordability Fund. This fund is capitalized with \$150 million in surplus surtax

revenue in the House version of the Innovation and Capital Fund supplemental budget, a proposal also adopted by the Senate. The trust fund resources are divided evenly between DCF and DTA supported child care and Income-Eligible child care; \$91.8 million is directed to each program.

- *Early Education and Care Operational Grant Fund (\$100 million)* – The HWM budget relies on \$100 million from the EEC Operational Grant Fund to support a portion of the C3 Operational Grant Program in FY 2027. This revenue is expected to be generated through the online lottery; the Governor’s budget assumed \$75 million in available revenue.

One-Time v. Ongoing Revenue Sources

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

In FY 2026, MTF identified approximately \$1.5 billion in one-time revenue solutions. In the HWM budget proposal for FY 2027, the number of one-timers increases to \$1.8 billion after accounting for their one-time adjustment to the capital gains threshold. Because of the administration’s proposal to permanently increase the capital gains threshold, under their spending plan, those revenues can be considered ongoing in the Governor’s budget.

One-Time Solutions in the HWM Budget

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

\$ in millions

HWM Budget – Key Revenue Takeaways

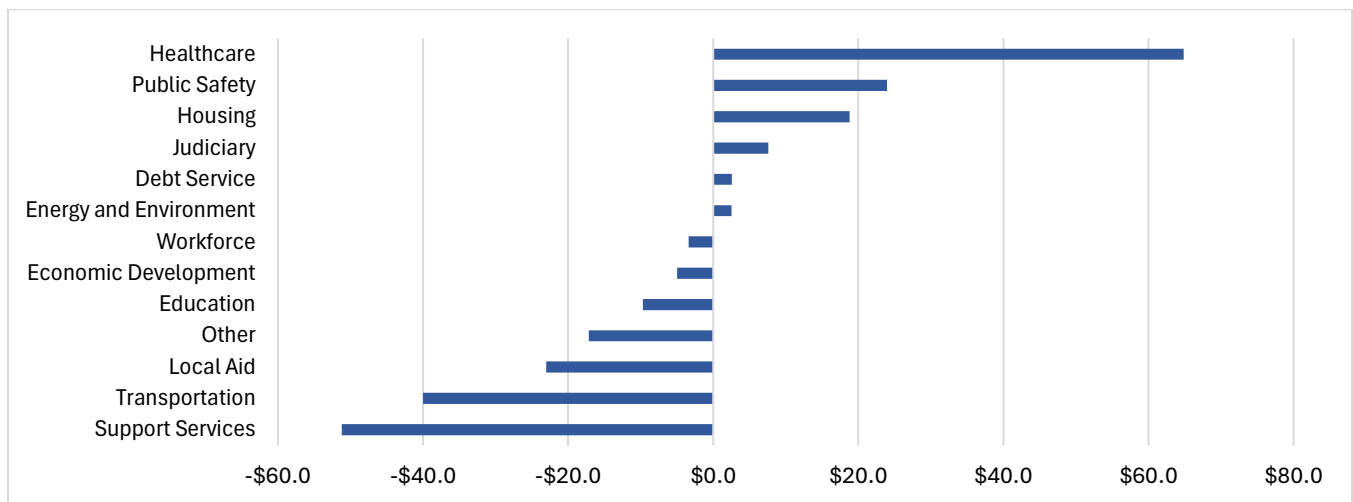
- **Revenue Solutions** - The HWM budget adopts a nearly identical framework of revenue solutions as put forward by the Governor to address a budget gap projected to exceed \$3.5 billion in FY 2027. Combined, revenue solutions in the HWM budget total \$2.6 billion of which \$1.8 billion are considered one-time.
- **Capital Gains Revenues** - The most notable revenue differences between the Governor’s budget and the HWM proposal are related to the capital gains threshold adjustment and the distribution of excess capital gains revenues.
- **Online Lottery Revenues** – The HWM budget reflects a more optimistic assumption regarding revenues to be generated from the online lottery in FY 2027. The House anticipates \$100 million in FY 2027 revenue, the Governor expected \$75 million.
- **Federal Medicaid Reimbursements** - Due to increased spending on MassHealth, the HWM budget reflects a slightly higher assumption for federal Medicaid reimbursements.

FY 2027 HWM Budget – Spending

The HWM budget includes \$63.33 billion in line-item spending, a \$2.3 billion (3.7 percent) increase over the FY 2026 budget signed into law last July and \$29 million (0.05 percent) less than the budget filed by Governor Healey in January. Compared to the administration’s estimated spending level for FY 2026, the HWM budget increases spending by \$639 million (1.0 percent).

Excluding spending supported by the surtax, the HWM budget increases spending over the prior year by \$2 billion. When broken down by category and compared to the Governor’s budget proposal, the HWM budget reflects notable non-surtax spending increases in the areas of healthcare, public safety and housing; as well as decreases for support services, non-surtax transportation spending, and local aid.

HWM Budget Non-Surtax Spending by Category v. Governor’s Budget (\$ in millions)



MassHealth & Healthcare

MassHealth

The largest category of spending in the state’s operating budget is MassHealth, totaling \$22.41 billion (gross) in the HWM budget. After accounting for federal reimbursements and other revenues, the net cost of the program is \$8.27 billion. When spending related to transportation services for MassHealth members is included, funded through a stand-alone item, total state spending for MassHealth reaches \$22.77 billion in the HWM budget.

HWM spending on MassHealth is \$68 million more than the Governor’s budget and \$641 million greater than the FY 2026 GAA. The spending increase compared to the administration appears related to a House proposal to cap adult dental benefits at \$1,725 annually; the Governor originally capped benefits at \$1,000 annually.

The House also includes a unique \$30 million earmark for additional nursing facility rates; however, total funding for nursing facility rates is level with the Governor’s budget.

MassHealth Spending & Federal Reimbursement in the HWM Budget

	FY 2025 GAA	FY 2026 GAA	FY 2027 - Governor	FY 2027 - HWM
Federal Reimbursement Share	\$12,410	\$13,772	\$14,110	\$14,140
% of Total Spending	61.8%	62.2%	63.1%	63.1%
State Share	\$7,660	\$8,356	\$8,237	\$8,275
Gross MassHealth Spending	\$20,070	\$22,128	\$22,347	\$22,415
<i>HHS Transportation Spending</i>	--	--	\$354	\$354
Total MassHealth Spending			\$22,701	\$22,769

\$ in millions

Heading into the FY 2027 budget development process, there were two major challenges facing MassHealth. First, program costs had grown by more than 10 percent in FY 2026 and a similar level of growth could not be supported in FY 2027. Second, the federal One Big Beautiful Bill Act (OB3) included Medicaid policy changes that would impose significant MassHealth program changes beginning in FY 2027.

To manage MassHealth spending, the Healey administration deployed a combination of administrative, programmatic, and one-time solutions to keep gross state spending growth below three percent. In March, MTF published a [detailed analysis](#) of the administration’s plan. Notably, the efforts to manage MassHealth spending in the FY 2027 budget are mostly one-time, temporary solutions; a long-term strategy remains necessary to control costs in future fiscal years.

With the exception of the cap on adult dental benefits, the HWM budget generally appears to adopt the Governor’s plan for MassHealth in FY 2027. The HWM budget:

- Does not prohibit MassHealth from eliminating weight-loss coverage for GLP-1s.
- Allows for consensus recommendations made by the Personal Care Attendant Working Group to be implemented, providing \$32 million in gross savings (\$16 million net) in FY 2027. MassHealth anticipates an additional \$68 million in gross savings (\$34 million net) to be identified, agreed upon, and implemented

throughout the fiscal year. The HWM budget requires the Working Group to agree to any future savings initiatives before implementation.

- Permits administrative initiatives related to one-time revenues, program integrity efforts, and the implementation of new federal eligibility requirements.

Group Insurance Commission

The HWM budget funds the Group Insurance Commission (GIC) at \$3.2 billion in FY 2027, a \$343 million increase over the FY 2026 GAA and a \$330K decrease compared to House 2. Earlier this year, the GIC eliminated coverage for GLP-1s for weight loss and rejected plans to increase member copays and deductibles. The HWM budget does not prevent the adopted coverage changes; however, the Governor’s funding level reflected savings associated with higher member copays and deductibles. Despite those plans being rejected, the HWM budget does not increase funding for the GIC.

Other Healthcare Spending & Policy Proposals

The HWM budget includes 23 healthcare policy sections, including language proposed by the administration to extend a Health Connector coverage pilot program and their own approach, detailed above, on limiting MassHealth dental coverage. HWM does not include an administration proposal to expand MassHealth’s pharmaceutical rebate program, but does require MassHealth, and other insurers, to cover all HIV prevention medication. More information on health care policy sections can be found later in the report.

Municipal Finance

The HWM budget funds Unrestricted General Government Aid (UGGA) at \$1.33 billion, a \$10 million (0.8 percent) increase over FY 2026. This increase for local aid to cities and towns is less than the Governor’s budget recommendation by \$23 million.

The administration had recommended a funding level for UGGA that was slightly higher than the assumed revenue growth rate adopted by state budget leaders for the FY 2027 budget (2.4 percent). The non-surtax consensus revenue estimate has been used as a benchmark for local aid spending growth for most of the last decade.

PILOT – Payment in Lieu of Taxes for State Owned Land – is funded in the HWM budget at \$55.4 million, a \$900K (1.6 percent increase) over the prior year and level with the Governor’s budget.

UGGA and PILOT Funding in the HWM Budget

Program	FY 2025 GAA	FY 2026 GAA	FY 2027 - Governor	FY 2027 - HWM
UGGA	\$1,308.7	\$1,323.1	\$1,356.1	\$1,333.1
<i>\$ Increase v. Prior Year</i>	\$38.1	\$14.4	\$33.0	\$10.0
<i>% Increase v. Prior Year</i>	3.0%	1.1%	2.5%	0.8%
PILOT	\$53.0	\$54.5	\$55.4	\$55.4
<i>\$ Increase v. Prior Year</i>	\$1.5	\$1.5	\$0.9	\$0.9
<i>% Increase v. Prior Year</i>	3.0%	2.9%	1.6%	1.6%

\$ in millions

Education

Early Education

The HWM budget includes \$1.86 billion in total funding for the Department of Early Education and Care in FY 2027, an increase of \$158.2 million (9.3 percent) over the FY 2026 GAA and \$23 million less than the Governor’s budget. The funding decrease compared to the administration is entirely related to a lesser amount of surtax spending for early education in the HWM budget; however, as described below, the House included more funding for early education and care in their version of the Innovation and Capital Fund supplemental budget.

Spending for early education and care programs in the HWM budget is supported by a combination of General Fund, income surtax, and trust fund resources. Of note, the Innovation and Capital Fund supplemental budget adopted by the House in March transferred \$150 million of excess surtax revenue into the High-Quality Early Education and Care Affordability Fund. Those revenues are used to support the costs of Child Care Financial Assistance (CCFA) in the HWM budget.

Early Education and Care Spending in the HWM Budget

Program	FY 2025 GAA	FY 2026 GAA	FY 2027 - Governor	FY 2027 - HWM
Administration	\$80.3	\$57.0	\$61.3	\$68.4
<i>Dept. of Early Education and Care</i>	\$27.7	\$11.5	\$13.2	\$20.3
Child Care Operational Grants (C3)	\$300.0	\$115.0	\$115.0	\$110.0
Child Care Financial Assistance	\$773.8	\$773.8	\$976.7	\$988.1
<i>DCF and DTA Related Child Care</i>	\$356.6	\$356.6	\$477.8	\$479.2
<i>Income-Eligible Child Care</i>	\$417.2	\$417.2	\$498.9	\$508.9
Program Supports & Expansion	\$46.0	\$33.0	\$32.9	\$32.9
<i>Preschool Partnership Initiative</i>	\$17.5	\$5.0	\$5.0	\$5.0
<i>Grants to Head Start Programs</i>	\$18.5	\$20.0	\$20.0	\$20.0
Child Care Resource & Referral Orgs.	\$20.0	\$20.0	\$20.0	\$20.0
Other Early Education	\$44.3	\$41.9	\$41.5	\$41.5
Income Surtax Spending	\$278.0	\$661.3	\$636.1	\$599.1
<i>Child Care Operational Grants (C3)</i>	\$175.0	\$360.0	\$360.0	\$365.0
<i>DCF and DTA Related Child Care</i>	\$0.0	\$91.6	\$119.4	\$119.4
<i>Income-Eligible Child Care</i>	\$0.0	\$100.4	\$124.7	\$114.7
<i>Preschool Partnership Initiative</i>	\$5.0	\$15.5	\$32.0	\$0.0
Total Early Education Spending	\$1,542.4	\$1,701.9	\$1,883.5	\$1,860.0

\$ in millions

Notable investments included in the HWM budget for early education include:

- **EEC Administration** (\$20.3 million) – The HWM budget includes \$20.3 million for the department’s administrative line-item in FY 2027, an increase of \$7.1 million compared to the Governor. This increase appears related to a \$7.5 million earmark for the early education and care educator scholarship program.

- **Child Care Operational Grants** (\$475 million) – The C3 Operational Grant Program is funded at \$475 million in the HWM budget through a combination of General Fund (\$10 million), EEC Operational Grant Fund (\$100 million), and income surtax (\$365 million) resources. This is level funded with the Governor’s budget; the program has been funded at a total of \$475 million since the FY 2024 GAA.
- **Child Care Financial Assistance** (\$1.22 billion) – The state’s two Child Care Financial Assistance programs are funded in the HWM budget at a total of \$1.22 billion, including \$598 million for DTA and DCF supported child care and \$623 million for Income-Eligible child care. This is essentially level with the Governor’s budget, appearing to maintain current reimbursement rates and caseload.
- **Commonwealth Preschool Partnership Initiative** (\$5 million) – Funding for the CPPI program in the HWM budget totals \$5 million, a decrease of \$15.5 million compared to the FY 2026 GAA and \$32 million less than the total funding proposed by the Governor. The House did not propose surtax-supported investment in the program.

Surtax Spending for Early Education

Between the FY 2027 HWM operating budget and the Innovation and Capital Fund supplemental budget, the House includes \$787 million in surtax-supported spending for early education and care.

- **The HWM operating budget proposal includes \$599 million in surtax spending for early education and care initiatives**, including \$365 million for the costs of C3 and \$234 million for CCFA. Surtax spending for CCFA is divided between DCF and DTA supportive child care (\$119 million) and Income-Eligible child care (\$115 million).
- **The House Innovation and Capital Fund supplemental budget included \$189 million** for early education and care. The largest component of this funding was the \$150 million deposit of surplus surtax revenues into the High Quality Early Education and Care Affordability fund. In addition, the House dedicated \$38.7 million towards a variety of early education and care initiatives, including \$10.7 million to support the costs of contracted slots, \$8 million for early educator personal child care costs, and \$7.5 million for an early educator loan forgiveness program. The remaining balance is intended to support waitlist remediation for Income-Eligible child care.

Surtax Spending Proposals for Early Education

FY 2027 Operating Budget		
Program	Governor	HWM Budget
Child Care Stabilization Grants	\$360.0	\$365.0
Child Care Financial Assistance	\$244.0	\$234.2
Commonwealth Preschool Partnership Initiative	\$32.0	\$0.0
Total	\$636.0	\$599.2
Innovation & Capital Fund Supplemental Budget		
Program	Governor	House
High Quality Early Education and Care Trust Fund	\$150.0	\$150.0
Early Education and Care Initiatives	\$0.0	\$38.7
Total	\$150.0	\$188.7

\$ in millions

K-12 Education

Chapter 70 State Aid

The HWM budget fully funds the sixth year of Student Opportunity Act (SOA) implementation and increases minimum aid to \$160 per pupil. In total, Chapter 70 aid funding reaches \$7.66 billion; which represents a \$296.5 million (four percent) increase over the FY 2026 GAA and a \$54.8 million increase over the Governor’s proposal.

As it was for the Healey administration, completing the six-year implementation schedule for the SOA is a major achievement for the House.

Chapter 70 State Aid in the HWM Budget

Program	FY 2024 GAA	FY 2025 GAA	FY 2026 GAA	FY 2027 - Governor	FY 2027 - HWM
Chapter 70 State Aid	\$6,584.8	\$6,864.9	\$6,864.9	\$7,053.0	\$7,055.6
<i>Minimum Aid Supplement</i>	\$7.9	\$0.0	\$0.0	\$0.0	\$0.0
<i>SOA Implementation Support (surtax)</i>	\$0.0	\$0.0	\$496.9	\$550.6	\$550.6
<i>Minimum Aid Supplement</i>	\$0.0	\$37.0	\$0.0	\$0.0	\$52.2
Total State Aid	\$6,592.6	\$6,901.9	\$7,361.9	\$7,603.6	\$7,658.4
<i>\$ Increase v. Prior Year</i>	\$594.4	\$309.3	\$459.9	\$241.8	\$296.5
<i>% Increase v. Prior Year</i>	9.9%	4.7%	6.7%	3.3%	4.0%
SOA Implementation Schedule	Year 3	Year 4	Year 5	Year 6	Year 6

\$ in millions

The primary difference between the House’s approach and the Governor’s approach to Chapter 70 aid in FY 2027 is the increase to minimum aid. The administration originally funded minimum aid at \$75 per pupil and 271 school districts across the state were anticipated to benefit. The House more than doubles that amount, increasing minimum aid to \$160 per pupil. At that level, an estimated 276 school districts would now qualify as “minimum aid communities.”

The HWM budget utilizes \$603 million in surtax revenue to support the costs of Chapter 70 aid in FY 2027, including \$551 million for the continued implementation of the Student Opportunity Act and an additional \$52.5 million to support the incremental increase to minimum aid.

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

Education Reimbursement Programs

Between the HWM budget and the Innovation and Capital Fund supplemental budget, the House includes a total of \$1.16 billion for other major education reimbursement programs in FY 2027, including Charter Tuition

Reimbursement, Special Education Circuit Breaker, and Student Transportation Reimbursement. This total is \$145.7 million (14.4 percent) greater than FY 2026 and \$2.8 million more than proposed by the Governor.

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

Program	FY 2026 GAA (+ surtax)	FY 2027 - Governor (+surtax)	FY 2027 - HWM	Surplus Surtax Spending	Total FY 2027 Funding
SPED Circuit Breaker	\$674.9	\$802.7	\$653.4	\$152.00	\$805.4
Charter Tuition Reimbursement	\$199.0	\$200.4	\$200.4	\$0.00	\$200.4
Regional School Transpo	\$111.9	\$112.3	\$119.1	\$0.00	\$119.1
Non-Resident Voc. Transpo	\$0.0	\$6.8	\$0.0	\$0.00	\$0.0
Homeless Student Transpo	\$28.7	\$35.2	\$35.2	\$0.00	\$35.2
Total Education Reimbursement	\$1,014.5	\$1,157.4	\$1,008.2	\$152.00	\$1,160.2

\$ in millions

Notable details regarding the funding levels for these programs include:

- **Charter Tuition Reimbursement** (\$200.4 million) – The HWM budget funds Charter Tuition Reimbursement at \$200.4 million in FY 2027, level with the Governor’s budget and consistent with full funding of the program. The House also adopts the administration’s recommendation to increase the per-pupil facilities aid component of the reimbursement formula, which directs funding to charter schools for facility and capital improvements, to \$1,288.
- **Special Education Circuit Breaker** (\$805.4 million) – The House provides \$805.4 million in total funding for the Special Education Circuit Breaker between their FY 2027 proposal and the Innovation and Capital Fund supplemental budget. This funding level is anticipated to fully fund the reimbursement requirements for instructional and out-of-district transportation costs.
- **Student Transportation Reimbursement** (\$154.3 million) – The HWM budget includes a total of \$154.3 million for Student Transportation Reimbursement in FY 2027, funded in part by \$62 million in surtax revenue. Regional School Transportation is funded at \$119.1 million, providing an estimated 92 percent reimbursement for school districts; and Homeless Student Transportation is funded at \$35.2 million, level with the Governor’s budget. The HWM budget does not include funding for Non-Resident Vocational School Transportation, fully funded by the administration at \$6.8 million.

Surtax Spending for K-12 Education

Between the FY 2027 HWM operating budget and the Innovation and Capital Fund supplemental budget, the House dedicates \$1.08 billion in surtax spending towards K-12 education.

- **The HWM budget includes \$868.5 million in surtax spending for K-12 Education.** The largest surtax-supported investments in the HWM budget include \$551 million for the costs of SOA implementation and \$198 million for Universal School Meals. As described above, they also include \$62 million for Student Transportation Reimbursement and \$52.5 million to support an increase in the minimum aid per-pupil amount to \$160. An additional \$5 million is directed towards the Green Schoolworks program.

- **The House directed \$213.5 million in surtax-supported spending towards K-12 Education in the Innovation and Capital Fund supplemental budget.** The largest appropriation in the House’s supplemental budget for K-12 education was \$152 million for the Special Education Circuit Breaker program, which is intended to support full funding in FY 2027. The House also used this spending bill to supplement FY 2026 and FY 2027 funding levels for Regional School Transportation, Rural School Aid, and Adult Basic Education. Historic House priorities, including the Green Schoolworks program, also receive funding; and \$29 million for local education priorities was added through the supplemental budget amendment process.

Surtax Spending Proposals for K-12 Education

FY 2027 Operating Budget		
Program	Governor	HWM Budget
Student Opportunity Act Implementation	\$551.0	\$551.0
Universal School Meals	\$198.0	\$198.0
Student Transportation Reimbursements	\$62.0	\$62.0
Early Literacy	\$25.0	\$0.0
Reimagining High School	\$11.2	\$0.0
Mental Health Supports	\$6.0	\$0.0
Minimum Per-Pupil Aid	\$0.0	\$52.5
Green Schoolworks	\$0.0	\$5.0
Total	\$853.2	\$868.5
Innovation & Capital Fund Supplemental Budget		
Program	Governor	House
Special Education Circuit Breaker	\$150.0	\$152.0
High Dosage Tutoring	\$25.0	\$0.0
Accelerating Achievement	\$10.0	\$0.0
Adult Basic Education and EL Services	\$5.0	\$5.0
Green Schoolworks	\$0.0	\$20.0
FY 2026 Regional School Transportation	\$0.0	\$3.0
Civics Education	\$0.0	\$2.1
Rural School Aid	\$0.0	\$2.0
Local Education Projects	\$0.0	\$29.4
Total	\$190.0	\$213.5

\$ in millions

Higher Education

In FY 2027, the HWM budget funds the public higher education sector at \$2.16 billion, an increase of \$69.9 million (3.4 percent) over FY 2026 and \$9.4 million less than the Governor’s budget. This total funding level includes \$1.9 billion in non-surtax spending and \$258 million in surtax-supported investment.

Higher Education Spending in the HWM Budget

Category	FY 2025 GAA	FY 2026 GAA	FY 2027 - Governor	FY 2027 - HWM
Community Colleges	\$381.7	\$385.1	\$415.1	\$415.1
State Universities	\$373.9	\$374.9	\$407.9	\$407.9
University of Massachusetts	\$770.0	\$836.6	\$887.6	\$870.3
<i>University of Massachusetts</i>	\$764.7	\$833.0	\$884.0	\$866.5
Scholarship Programs	\$197.0	\$198.5	\$199.4	\$185.4
<i>Community College SUCCESS Fund</i>	\$14.7	\$14.0	\$14.0	\$0.0
<i>Massachusetts State Scholarship Program</i>	\$173.4	\$175.8	\$176.7	\$176.7
Other Higher Education	\$32.7	\$26.2	\$21.3	\$21.2
Income Surtax Spending - Higher Ed	\$239.0	\$266.7	\$236.0	\$258.0
<i>Financial Aid Expansion</i>	\$80.0	\$85.0	\$85.0	\$85.0
<i>Targeted Scholarships</i>	\$10.0	\$5.0	\$0.0	\$10.0
<i>State University SUCCESS</i>	\$14.0	\$14.0	\$14.0	\$18.0
<i>Free Community College</i>	\$93.5	\$96.0	\$137.0	\$127.0
<i>Community College SUCCESS</i>	\$0.0	\$0.0	\$0.0	\$18.0
Total Higher Education Spending	\$1,994.3	\$2,088.0	\$2,167.4	\$2,157.9

\$ in millions

Public Higher Education Campuses

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

- **Community College** campuses are funded at a total of \$415.1 million, an increase of \$30 million (7.8 percent over the FY 2026 GAA and level with the Governor’s budget.
- **State University** campuses are funded at a total of \$407.9 million, an increase of \$33 million (8.8 percent) over the FY 2026 GAA and level with the Governor’s budget.
- The **University of Massachusetts** is funded at \$866.5 million, a \$33.5 million (4 percent) increase over the prior year and \$17.5 million less than the Governor’s budget.

Scholarship Programs & Addressing Student Costs

The HWM budget includes \$185.4 million for scholarship programs and wrap around student supports, excluding initiatives supported by income surtax revenues. This funding level includes \$176.6 million for the state’s Scholarship Reserve, as well as \$7.2 million for Foster Care and Adopted Fee Waivers and \$1.5 million for Foster Care Financial Aid.

Surtax Spending for Higher Education

Through their FY 2027 operating budget proposal and the Innovation and Capital Fund supplemental budget, the House directs \$311.5 million in surtax revenues towards higher education.

- **The HWM budget includes \$258.1 million in surtax-supported spending for the higher education sector**, including \$127.1 million for Free Community College and \$85 million for the continued expansion of the Mass Grant Plus scholarship program. The House also included \$18 million each for the Community College SUCCESS and State University SUCCESS programs, as well as \$10 million for the Targeted Scholarships program.
- **The Innovation and Capital Fund supplemental budget passed by the House includes \$43.3 million for higher education.** The largest investment in the House’s bill for higher education is \$18.3 million for financial aid assistance, followed by \$10 million for an endowment incentive program at the University of Massachusetts, and \$5 million each for similar incentive programs at State Universities and Community Colleges. Lastly, the House included \$5.1 million for the Tomorrow’s Educators Scholarship program, intended to provide loan forgiveness for public school educators, and an additional \$10 million for Targeted Scholarships.

Surtax Spending Proposals for Higher Education

FY 2027 Operating Budget		
Program	Governor	HWM Budget
Free Community College	\$137.0	\$127.1
Financial Aid Expansion	\$85.0	\$85.0
State University SUCCESS Program	\$14.0	\$18.0
Community College SUCCESS Program	\$0.0	\$18.0
Targeted Scholarships	\$0.0	\$10.0
Total	\$236.0	\$258.1
Innovation & Capital Fund Supplemental Budget		
Program	Governor	House
Financial Aid Assistance	\$18.3	\$18.3
UMass Endowment Incentive Program	\$0.0	\$10.0
Public Higher Education Endowment Incentive Program	\$0.0	\$10.0
Tomorrow's Educators Scholarships	\$0.0	\$5.1
Targeted Scholarships	\$0.0	\$10.0
Total	\$18.3	\$53.4

\$ in millions

Workforce & Career Readiness

MTF monitors workforce and career readiness investments across 39 line-items in the state budget, administered by seven secretariats. Workforce programs range from providing specialized training for in-demand industry credentials to offering high school students the opportunity to graduate with college credits at no cost to the student. MTF organizes workforce investments into three categories based on the target population and the policy goal: individual workforce training, sector-based programs, and training opportunities for state-serving populations.

In FY 2027, the HWM budget includes \$543.6 million in total funding for these programs, a \$26.6 million (5.1 percent) increase compared to FY 2026 and \$3.4 million less than the Governor.

Workforce Spending by Category in the HWM Budget

Category	FY 2025 GAA	FY 2026 GAA	FY 2027 - Governor	FY 2027 - HWM
Sector-Based	\$50.6	\$42.5	\$49.2	\$43.5
<i>Career Technical Institutes</i>	\$9.6	\$9.2	\$8.9	\$8.9
<i>Innovation Pathways</i>	\$5.4	\$4.8	\$4.8	\$4.8
<i>Mass Manufacturing Extension Partnership</i>	\$1.7	\$2.0	\$0.0	\$2.0
<i>Transfer to WCTF</i>	\$10.0	\$8.0	\$8.0	\$10.0
Training Opportunities for State Populations	\$348.8	\$352.0	\$377.8	\$377.8
<i>Community Day and Work Programs</i>	\$288.0	\$287.4	\$313.5	\$313.5
<i>DMH Loan Forgiveness</i>	\$0.0	\$0.0	\$0.0	\$3.0
Individual Workforce Training	\$128.0	\$122.6	\$120.0	\$122.3
<i>Adult Basic Education</i>	\$59.9	\$58.9	\$58.4	\$58.4
<i>Dual Enrollment Grant and Subsidies</i>	\$13.1	\$13.1	\$12.9	\$12.9
<i>Early College Programs</i>	\$15.2	\$14.4	\$15.0	\$15.0
<i>MassHire Career Centers</i>	\$8.9	\$8.2	\$8.1	\$7.9
<i>Summer Jobs Program for At-Risk Youth</i>	\$15.9	\$15.4	\$15.4	\$17.4
Total Workforce Spending	\$527.3	\$517.1	\$547.0	\$543.6

\$ in millions

Notable workforce investments in the Governor’s budget include:

- **Community Day and Work Programs** (\$313.5 million) – The HWM budget funds Community Day and Work Programs at \$313.5 million, an increase of \$26.1 million (9.1 percent) over the FY 2026 GAA and level with the Governor. The proposed funding increase over last year reflects annualized FY 2026 reimbursement rate increases for providers who offer DDS clients employment and skill development services.
- **Summer Jobs for At-Risk Youth** (\$17.4 million) – The HWM budget proposes \$17.4 million for the YouthWorks program administered by the Commonwealth Corporation, which provides year-round career readiness and work-based learning opportunities for at-risk individuals 25 years and younger, an increase of \$2 million (13 percent) over the FY 2026 GAA and the Governor’s proposal. Aligned with the Governor’s proposal, HWM includes language that allows funding to be available through September 1st, 2027.
- **Transfer to the Workforce Competitiveness Trust Fund** (\$10 million) – The HWM budget proposes a \$10 million transfer to the WCTF, to fund competitive grant programs administered by the Commonwealth Corporation to support sector-based skill development and job training programs, an increase of \$2 million (25 percent) over the FY 2026 GAA and the Governor’s proposal.
- **Department of Mental Health Loan Forgiveness Program** (\$3 million) – HWM proposes \$3 million for the DMH loan forgiveness program, which has not been funded since the FY 2023 GAA, to support the department’s clinical behavioral health workforce. In the FY 2023 GAA, the program received \$20 million.

The HWM budget excludes funding for the Community Workforce Partnership Grant Program, a new workforce line-item funded at \$10 million in the Governor’s budget. The program exists currently under the Executive Office of Economic Development, it had not previously been funded through its own line-item.

Transportation

The HWM budget includes \$1.3 billion in funding for transportation in their FY 2027 operating budget proposal. This represents an increase of \$54.3 million (4.3 percent) over the FY 2026 GAA and is \$40 million less than the Governor.

The transportation spending level in the HWM budget includes \$975 million in surtax revenue, \$550 million of which is transferred first to the Commonwealth Transportation Fund (CTF). An additional \$425 million is appropriated from the Education and Transportation Fund towards the MBTA, the Department of Transportation (MassDOT), and Regional Transportation Authorities (RTAs).

Transportation Spending in the HWM Budget

Category	FY 2025 GAA	FY 2026 GAA	FY 2027 - House 2	FY 2027 - HWM
Transportation Transfers	\$958.55	\$1,249.82	\$1,344.08	\$1,304.08
Transfer to MassDOT	\$538.60	\$558.95	\$644.96	\$604.96
Transfer to MBTA	\$314.28	\$470.20	\$470.00	\$470.00
Transfer to RTAs	\$94.00	\$209.00	\$217.45	\$217.45
Merit Rating Board	\$11.67	\$11.67	\$11.67	\$11.67
Surtax Spending for Transportation	\$538.50	\$712.00	\$975.00	\$975.00
Income Surtax Spending (CTF Transfer)	\$250.00	\$550.00	\$975.00	\$550.00
Other Surtax Spending	\$288.50	\$162.00	\$0.00	\$425.00
Total Transportation Spending	\$1,247.05	\$1,249.82	\$1,344.08	\$1,304.08

\$ in millions

Through the Innovation and Capital Fund supplemental budget, the House adopted \$834 million in additional surtax spending for transportation. In the sections that follow, that supplemental spending is considered alongside operating budget investments to assess total transportation spending by agency.

MBTA

Between the operating budget and the Innovation and Capital Fund supplemental budget, the House provides \$1.2 billion in funding for the MBTA. While this represents an increase of \$95.3 million compared to the Governor's budget, the House largely follows the administration's funding framework to provide multiple years of budget sustainability for the authority.

Proposed MBTA Spending in FY 2027

	Governor's Proposal	House Proposal
Operating Budget MBTA Spending	\$470.0	\$470.0
Supplemental MBTA Spending	\$644.7	\$740.0
<i>MBTA Operating Subsidy</i>	<i>\$523.0</i>	<i>\$525.0</i>
<i>FTA Reserve</i>	<i>\$121.7</i>	<i>\$125.0</i>
<i>MBTA Physical Infrastructure</i>	<i>\$0.0</i>	<i>\$60.0</i>
<i>Low-Income Fare Relief</i>	<i>\$0.0</i>	<i>\$20.0</i>

	<i>Water Transportation</i>	\$0.0	\$10.0
Total MBTA Funding		\$1,114.7	\$1,210.0

\$ in millions

As MTF described in a [recent publication](#), in FY 2027 and FY 2028, operating expenses at the MBTA are projected to exceed available revenues by \$1.1 billion and \$1.3 billion, respectively. After accounting for agency savings targets and the House’s funding proposals, it is projected that the authority’s budget gap would be fully closed in FY 2027 and a surplus of \$179 million would be generated. When added to the existing MBTA reserve balance of \$433 million, there would be \$612 million in reserve funding carried forward into FY 2028.

In FY 2028, assuming the authority receives another \$470 million operating budget transfer, the MBTA faces an initial budget gap of \$732 million. This gap would be largely offset by the \$612 million in reserve funding; a manageable deficiency of \$120 million would remain.

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

	House	
	FY 2027	FY 2028
MBTA Estimated Gap	(\$1,119)	(\$1,307)
Projected Savings	\$88	\$105
Starting Gap (post-savings)	(\$1,031)	(\$1,202)
Operating Budget Transfer (Surtax)	\$470	\$470
Operating Budget Subsidy (IC Supp)	\$525	\$0
Workforce and Safety Reserve (IC Supp)	\$125	\$0
Other MBTA Investments (IC Supp)	\$90	\$0
Remaining Gap	\$179	(\$732)
Add'l Reserve Draw	--	\$612
Final Budget Gap	\$179	(\$120)
Remaining Reserves (Existing & New)	\$612	\$0

\$ in millions

MassDOT

The Department of Transportation receives a \$605 million operating transfer in the HWM budget, an increase of \$46 million (8.2 percent) over the prior year and \$40 million less than the Governor’s budget. In addition, the Department receives \$60 million in funding through the House version of the Innovation and Capital Fund supplemental budget to support the creation of a workforce pipeline and capital project delivery (\$30 million), as well as a sustainable aviation fuel credit (\$30 million).

Proposed MassDOT Spending in FY 2027

Investments	Governor's Proposal	House IC Supp
Operating Budget MassDOT Spending	\$645.0	\$605.0
Supplemental MassDOT Spending	\$80.0	\$60.0

<i>MassDOT Service Investments</i>	\$43.0	\$30.0
<i>Sustainable Aviation Fuel Credit</i>	\$30.0	\$30.0
<i>Unpaved Roads</i>	\$7.0	\$0.0
Total MassDOT Funding	\$725.0	\$665.0

\$ in millions

Regional Transit Authorities

Funding for RTAs in the HWM budget totals \$217.5 million, an increase of \$8.5 million (4 percent) over the FY 2026 GAA and level with the Governor’s proposal. The HWM budget does not include the same line-item language proposed by the Governor dictating a specific distribution of these resources. RTAs also receive \$25 million through the Innovation and Capital Fund supplemental budget for general operating support.

Proposed RTA Spending in FY 2027

Investments	Governor's Proposal	House IC Supp
Operating Budget RTA Spending	\$217.5	\$217.5
Supplemental RTA Spending	\$60.0	\$25.0
<i>RTA Supports</i>	\$45.0	\$25.0
<i>Microtransit and Last Mile Innovation Grants</i>	\$15.0	\$0.0
Total RTA Funding	\$277.5	\$242.5

\$ in millions

Housing

In FY 2027, the HWM budget funds programs related to housing stabilization, homelessness prevention, and housing financial assistance programs at a total of \$1.22 billion. This represents an increase of \$67.3 million (5.8 percent) over the FY 2026 GAA and is \$18.8 million more than the Governor’s recommendation.

Housing Investments in the HWM Budget

Category of Program	FY 2025 GAA	FY 2026 GAA	FY 2027 - Governor	FY 2027 - HWM
Housing Stabilization & Homelessness Prevention	\$543.3	\$496.0	\$532.5	\$524.2
<i>EA Family Shelters and Services</i>	\$326.1	\$276.4	\$258.6	\$258.6
<i>HomeBASE</i>	\$57.3	\$57.3	\$82.3	\$82.3
<i>Homeless Individual Shelters</i>	\$110.8	\$113.3	\$114.0	\$115.0
<i>Winter Beds</i>	\$0.0	\$0.0	\$12.0	\$8.0
Housing Financial Assistance	\$452.0	\$496.8	\$515.3	\$530.6
<i>Massachusetts Rental Voucher Program</i>	\$219.2	\$253.3	\$278.3	\$281.3
<i>Rental Subsidy Program for DMH Clients</i>	\$16.5	\$16.5	\$16.5	\$20.0
<i>Residential Assistance for Families in Transition</i>	\$197.4	\$207.5	\$201.2	\$210.0
Counseling & Education Services	\$9.0	\$5.9	\$5.0	\$5.2
Public Housing	\$114.3	\$116.9	\$119.1	\$119.1
Other Housing	\$39.6	\$39.7	\$31.9	\$43.5

<i>Shelter Workforce Assistance</i>	\$10.0	\$10.0	\$0.0	\$10.0
Total Housing Spending	\$1,158.2	\$1,155.2	\$1,203.8	\$1,222.6

\$ in millions

Notable housing-related investments in the HWM budget include:

- **Massachusetts Rental Voucher Program** (\$281.3 million) – The HWM budget funds the MRVP program at 281.3 million, an increase of \$28 million (11 percent) over the prior year and \$3 million more than the Governor’s budget.
- **Residential Assistance for Families in Transition** (\$210 million) – RAFT is funded in the HWM budget at \$210 million, an increase of \$2.5 million over the FY 2026 GAA and \$8.8 million higher than the Governor.
- **Homeless Individual Shelters** (\$115 million) – The House increases funding for Homeless Individual Shelters to \$115 million, \$1.7 million higher than the FY 2026 GAA and \$1 million more than the Governor.
- **Shelter Workforce Assistance** (\$10 million) – The HWM budget includes \$10 million for Shelter Workforce Assistance, a program that was excluded from the administration’s spending plan. This program was funded at \$10 million in the FY 2026 GAA.

The House also includes \$8 million for the administration’s new Winter Beds initiative, funded at \$12 million in the Governor’s budget, which was anticipated to support 800 additional shelter beds during the cold weather months.

HWM Budget – Spending Takeaways

- **Total Spending** – The HWM Budget increases spending over the FY 2026 GAA by \$2.3 billion (3.7 percent) but includes \$30 million less in line-item spending compared to the Governor’s proposal. This marks a departure from the House’s approach in FY 2026, when they spent significantly less than the Governor’s original recommendation by more than \$500 million.
- **Notable Spending Increases** – The House increased funding compared to the Governor’s budget in the areas of Housing, Public Safety, and MassHealth. Specifically, the HWM budget reflects a unique approach to funding the Sheriffs’ offices, isolating costs related to payroll, medically assisted treatment, and no cost calls. However, total funding for the Sheriffs’ offices exceeds the Governor’s budget by \$50 million.
- **Notable Spending Decreases** – The House decreases non-surtax funding compared to the Governor’s budget for Local Aid, Support Services, and Transportation. Notably, the HWM budget cuts funding for DTA caseworks by \$25 million compared to the administration’s recommendation and reduces appropriation levels for various administrative accounts.
- **Surtax Spending** – Surtax revenues in the HWM budget are more heavily weighted towards education (\$1.725 billion, 64 percent) than transportation (\$975 million, 36 percent).
- **SOA Implementation** – The HWM fully funds the 6th and final year of SOA implementation and also increases the minimum aid per pupil amount to \$160. The Governor proposed minimum aid funding of \$75 per pupil.
- **MBTA Budget Sustainability** – Through the combination of operating budget investments and the Innovation and Capital Fund supplemental budget, the House appears to provide the MBTA with two years of budget sustainability. Total funding for the MBTA is \$95 million higher than in the administration’s plan.

FY 2027 HWM Budget – Outside Policy Sections

The HWM FY 2027 budget includes 73 outside policy sections, 26 fewer than Governor Healey’s 99 budget proposals and seven fewer than the 80 sections included in last year’s HWM budget.

Policy Sections in the HWM Budget Compared

	FY 2026 HWM	FY 2026 House Final	FY 2026 Conference	FY 2027 Governor	FY 2027 HWM
Policy Sections	80	116	135	99	73

This year’s HWM budget adheres closely to the outside section approach taken by Governor Healey, adopting 36 of her proposals in some form.

HWM Sections v. Governor Sections

Total HWM Sections	Sections Shared with Gov.	Unique Sections
73	36	37

The HWM budget does propose several new policy initiatives. Their budget puts forward 37 unique outside sections, covering about a dozen topics, with the most notable unique sections related to special education transportation, insurance coverage of HIV medications, and cost of living adjustments for state and local retirees.

The HWM budget does not adopt a number of notable proposals from the administration’s budget, including:

- Authorizing camera enforcement of speeding;
- Increasing the permanent dedication of surtax revenue to the Commonwealth Transportation Fund;
- Limiting circumstances in which unpaid fines can prevent drivers license renewal;
- Requiring online services to simplify cancellation processes;
- Expanding MassHealth’s ability to negotiate drug and medical device rebates;
- Authorizing a pilot program for progressive design building in MassDOT and MBTA projects; and
- Directing \$10 million from any FY 2027 surplus to the Massachusetts Life Sciences Center.

Notable HWM sections include:

FY 2027 Finances

Gaming Fund Diversion (Section 63) – This section diverts approximately \$100 million in gaming tax revenues, otherwise dedicated to off-budget funds, to the General Fund. Similar proposals were included in the FY 2025 and FY 2026 budgets. The HWM budget redirects slightly less in gaming revenues than the Governor

proposed (\$113 million) due to keeping a larger share of gaming revenue for community mitigation and the state's horse racing industry.

Capital Gains Distribution (Section 64) – This section would set the capital gains threshold in FY 2027 at \$2.25 billion, \$467 million higher than the \$1.78 billion threshold established in the Consensus Revenue process. The HWM budget also alters the distribution of capital gains collections in excess of the \$2.25 billion cap, with 65 percent (\$166.4 million) going to the State Retiree Benefits Trust Fund, 20 percent (\$51.2 million) going to the Stabilization Fund, and 15 percent (\$38.4 million) going to the state's pension liability. 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. Both the FY 2025 and FY 2026 budgets also adjusted the distribution of excess capital gains.

The Governor's budget also used the \$2.25 billion threshold for capital gains, but they made that rebasing permanent, while HWM makes the change just for FY 2027. The Governor's budget also proposed changing the distribution of the \$256 million in assumed above threshold collections, but devoted a larger share to the Stabilization Fund (39.1 percent) and directed 7.8 percent to the Disaster Recovery & Resiliency Fund.

Interest Earnings (Section 68) – This section directs interest earnings on state held, non-budgeted, trust fund balances to the General Fund. Currently, interest on these funds is retained by the generating trust fund. The HWM budget, like the administration, estimates that this redirection would provide approximately \$150 million to the budget in FY 2027. This section would not apply to the Stabilization Fund, whose interest is redirected to the Commonwealth Federal Matching and Debt Reduction Fund. This section was also included in the Governor's budget.

Abandoned Property Revenues (Section 69) – This section requires that, in FY 2027, all revenue from the sale of abandoned property would go to the General Fund. Without this proposal, 75 percent of any growth in abandoned property revenue compared to FY 2026 would be dedicated to the Stabilization Fund.

Disaster Recovery & Resiliency Fund (Section 66) – This section directs the Comptroller to transfer \$14 million of the consolidated net surplus to the Disaster Relief and Resiliency Fund (DRRF) in FY 2027. The HWM budget did not adopt an administration proposal to permanently redirect a portion of excess capital gains collections of the DRRF.

Ongoing Finances

Capital Gains Threshold (Section 14) – HWM adopts an administration proposal to change how the annual capital gains threshold is adjusted. Currently that threshold is adjusted by inflation each year. The administration and HWM budgets change the threshold going forward to equal 95 percent of average capital gains collections for the last ten completed fiscal years, adjusted for inflation. The Governor's budget also proposed changing the statutory base of the threshold from \$1 billion to \$2.25 billion on an ongoing basis. The HWM budget does not change the \$1 billion original base set in statute, but uses \$2.25 billion as the capital gains base in FY 2027.

Budget Stress Test (Section 15) – HWM adopts a proposal from the Governor's budget that requires the administration to conduct an annual multi-year budget forecast that assesses the Commonwealth's ability

to withstand various fiscal scenarios. The forecasts would look at least three years ahead and identify key risks, likely impacts of changes in revenue or spending trends, and the sufficiency of reserves to address potential negative shocks.

Cost of Living Base Change (Sections 16 – 21, 25 & 75) – The HWM budget creates a mechanism to dedicate 10 percent of pension investment returns that exceed expectations to a fund that would support a \$1,000 base increase for state retiree pension cost of living adjustments. Currently, cost of living adjustments for state pensions are applied to a \$13,000 base. Through this mechanism, when sufficient excess earnings are collected, the base would be increased in \$1,000 increments. This change was recommended in a recent report of a special commission charged with looking at cost of living adjustments for state retirees. This mechanism would also be available to local pension funds, if they choose to adopt it.

Cost of Living Supplement (Sections 21 & 25 – 27 & 75) – The HWM budget also proposes providing a cost of living supplement of between \$100 and \$300 annually for pensioners who have been retired for at least 10 years, have at least 20 years of creditable service, and whose retirement benefit is less than 80 percent of the average salary. The \$300 benefit would be available for pensioners who have been retired for at least 20 years. This supplemental payment would be available to local pensioners if their municipality chooses to adopt it.

Health and Human Services

HIV Mandatory Drug Coverage (Sections 28, 36, 40, 44 – 46) – These sections would require the Group Insurance Commission, MassHealth, and private insurers to cover HIV prevention medications, as defined in the language, without any cost sharing requirements or prior authorization.

Correctional Facility HIV Medication (Section 38) – This section requires state and county correctional facilities to provide inmates with information and counseling on HIV prevention, access to optional HIV testing, and a 90-day supply of HIV prevention medication prior to release at no cost.

Connector Care Pilot Program (Sections 48, 49, 52) – HWM adopts an administration proposal to extend an existing Connector Care pilot program, which provides coverage to those with incomes up to 500 percent of the Federal Poverty Level, to the end of 2027. Currently, the pilot is due to sunset at the end of 2026, after a one-year extension was included in the FY 2026 budget. The cost of the extension is expected to be borne by resources within the Commonwealth Care Trust Fund.

MassHealth Dental Services (Section 53) – This section authorizes MassHealth to determine the level of dental services, not required under the federal Medicaid program, covered by the program and in the Health Safety Net. The section allows MassHealth, beginning in FY 2027, to impose coverage caps, coverage changes, exclusions and limitations for adult dental services. The same authorization would also exist for the Health Safety Net. However, the HWM budget prohibits any cap or other changes that would result in a cap of less than \$1,750 for covered adult dental services. The Governor’s budget capped adult dental services at \$1,000.

Health Safety Net Transfer for HIV Drug Assistance (Sections 54 & 55) – These sections allow transfers from the Health Safety Net to cover costs associated with the Department of Public Health’s HIV Drug Assistance

Program, supported by line-item 4512-0106. The sections allow these transfers in both FY 2026 and FY 2027. The Governor's budget also included these sections.

Personal Care Attendant Working Group (Section 71) – This section requires the Personal Care Attendant (PCA) Working Group, created in the FY 2025 budget and extended in the FY 2026 budget, to develop additional recommendations to effectuate the long-term viability of the PCA program.

Education & Child Services

Special Education Transportation Database (Sections 31 – 33) – The HWM budget requires providers of special education transportation services to submit detailed cost component information to districts bidding for those services. Districts would also be required to submit that information to the Department of Elementary and Secondary Education (DESE). The department would use that, and other information, to create a database of documents related to transportation procurements and contracts. DESE would also be required to provide an annual set of transportation procurement best practices for districts to follow to manage costs and improve service.

Special Education Transportation Study (Section 51) – This section requires DESE, along with other relevant state agencies, to study and make recommendation for improving competition among bidders for special education transportation services. The study will examine pricing information, models in other states and the feasibility of setting rates for services. The study is due to the legislature by July 1, 2027.

Special Education Transportation Model Procurement & Modeling (Section 73) – HWM requires DESE and the Operational Services Division to create model procurement templates and contracting models for SPED transportation. Districts would be able to use these resources to procure SPED transportation services going forward. The Inspector General made this recommendation in a recent report.

Shelter Early Intervention Referrals (Sections 34 & 72) – These sections require early intervention screening for any child under three whose family enters an emergency assistance, domestic violence, substance use or other shelter system overseen by the state. The screening, by a certified early intervention professional, would be required within 30 days of entering the shelter. Early intervention is a state service that identifies developmental delays in young children who are then referred to services. The section requires the Executive Office of Housing and Livable Communities to implement this requirement by November 9, 2026.

Workforce & Employers

Workforce Investment Trust Fund & Economic Development Trust Fund (Sections 7 – 13) – HWM alters the distribution of sports wagering revenue, reducing the share to the Workforce Investment Trust Fund from 17.5 percent to 10 percent and dedicating 7.5 percent to the Sports and Entertainment Events Fund, the administration proposed redirecting the same share to the Economic Development Trust Fund. The sections also change the language governing the Workforce Investment Trust Fund, requiring consultation on all expenditures with the Secretary of Labor and Workforce Development, and allowing funds to be used to support internships and apprenticeships. The Economic Development Trust Fund can be used for operating costs for the state's Office of Community Development and Mass. Marketing Partnership, as well as costs of other economic development programs and initiatives.

Workforce Productivity Fund (Sections 41 – 43) – These sections direct \$1 million in contributions to the state’s Paid Family and Medical Leave Fund to a new Workforce Productivity Fund. The HWM budget requires the fund to provide grants to employers seeking temporary employment assistance due to PFML leave while the Governor’s proposal allowed the Department of Family and Medical Leave discretion to identify other purposes for the fund.

Other

Lottery Commission Game Offerings (Section 4) – HWM adopts an administration proposal to allow the state lottery commission to enter into contracts or group agreements for lottery games not currently or previously authorized by the state lottery commission.

Inspector General Audit Referral (Sections 5 & 6) – These sections eliminate the requirement for the Office of the Inspector General to receive a majority vote of the Inspector General Council before referring findings related to potential violations of federal or state criminal law to the state ethics commission or to any other federal, state, or local agency and prohibits any related reports from being made public.

Judicial Creditable Service (Section 23) – This section authorizes a judge or justice that is eligible for retirement benefits and qualifies as a veteran of the armed forces to purchase up to four years of creditable service.

Bottom Line

The House Ways and Means budget confronted the same basic fiscal challenge as the administration: closing a \$3.5 billion budget gap with limited ongoing revenue growth and increasing cost pressures. HWM adopted the Governor’s framework for closing that gap and balancing the budget: relying about \$1 billion in revenues related to capitals gains collections and recently engrossed tax changes, using about \$1 billion in other one-time resources, and managing MassHealth spending in FY 2027 using a variety of tools.

The House will enter debate with a budget that spends \$29 million less than the Governor and it is likely that when debate concludes, their spending total will exceed the administration’s for the first time in three years. Since FY 2022, the House has added between \$66 million and \$130 million in spending during debate and it appears that the House has the capacity to be within that range this year as well.

At a high level, both the HWM and Governor’s budget look straightforward: a moderate level of spending growth that avoids major program expansions, cuts, or new spending proposals. However, the appearance of normality masks a budget that is under increasing strain to make available resources and spending proposals match. HWM has produced a balanced budget that, like the Governor, reduces ongoing rates of spending growth and avoids using the Rainy Day Fund. Like the Governor, this budget also relies on the economy in FY 2026 and FY 2027 to continue to grow.