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MTF Bulletin

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10 Key Questions for the Senate Ways & Means Budget

- 1. How does spending in the SWM budget compare to the FY 2026 budget signed into law last year, the Governor's proposal for FY 2027, and the House budget?** The SWM budget includes \$63.29 billion in total spending, \$2.25 billion (3.7 percent) above the FY 2026 budget signed into law last July. Their budget is also \$66.3 million (0.1 percent) less than Governor Healey's proposal and \$120 million less than the House budget finalized last week. However, that gap is expected to shrink significantly after the Senate debate process.
- 2. Does the SWM budget reflect the same framework of revenue and spending solutions as the Healey administration and House to close a projected budget gap in FY 2027?** Largely yes. The SWM budget, like the House budget, essentially adopts the same framework of revenue and spending solutions put forward by the administration to close an FY 2027 budget gap projected to exceed \$3.5 billion. The Senate's bill reflects several unique proposals related to capital gains revenues and the use of surplus surtax revenues, but they do not materially change the strategy for balancing the budget in FY 2027.
- 3. What level of revenue-generating initiatives and one-time solutions is relied upon to support spending in the SWM budget?** The SWM budget is balanced using approximately \$2.7 billion in revenue solutions, \$1.5 billion of which are estimated to be one-time in nature. This level of one-timers is consistent with the FY 2026 GAA and slightly higher than the amount relied upon by the Governor and House. The driver of this increase in the SWM budget is their reliance on a greater amount of surplus surtax revenues to support special education costs in FY 2027.
- 4. Does the SWM budget adopt a proposal to increase the capital gains threshold in FY 2027, allowing a greater share of those revenues to be used in support of operating spending?** Yes. The SWM budget reflects an administration proposal to increase the capital gains threshold in FY 2027 from \$1.78 billion to \$2.25 billion. This increase provides \$467 million in revenues for the FY 2027 operating budget that would otherwise be unavailable. The SWM budget does not adopt the Governor's proposal to adjust the threshold in future fiscal years based on average capital gains collections over the prior 10 fiscal years.
- 5. Does the Senate divide income surtax-supported spending for education and transportation evenly between their FY 2027 operating budget proposal and the Innovation and Capital Fund supplemental budget?** Between the FY 2027 SWM budget and the Innovation and Capital Fund supplemental budget, the Senate spends \$3.98 billion in surtax revenue. Of that total, education receives \$2.24 billion (56 percent) and transportation receives \$1.74 billion (44 percent). While that is

not an equal distribution of surtax revenues across the two sectors, progress has been made in recent years to get closer to parity. While surtax spending in the operating budget continues to be more heavily weighted towards education, the Innovation and Capital Fund directs more resources towards transportation. Creating unique opportunities for each sector to benefit from the surtax is critical to achieving equity, and underscores the importance of continuing to build the balance of the Innovation and Capital Fund.

- 6. How does spending for MassHealth under the SWM budget compare to the administration's proposals to constrain spending growth in FY 2027?** The SWM budget adopts most of the administration's recommendations to control MassHealth cost growth in FY 2027. While their budget includes a higher cap on adult dental benefits (\$1,750 annually, compared to the Governor's \$1,000 cap); the remainder of the administration's proposals remain unchanged. Like the House, the Senate does not prohibit MassHealth from eliminating weight-loss coverage for GLP-1s. They support the continuation and creation of the Personal Care Attendant and the Adult Day Health/Adult Foster Care working groups, and permit administrative initiatives related to one-time revenues, program integrity efforts, and the implementation of new federal eligibility requirements.
- 7. Does the SWM budget fully fund the final year of Student Opportunity Act (SOA) implementation?** Yes. The SWM budget fully funds the sixth and final year of SOA implementation, providing \$7.66 billion in total funding for Chapter 70 state aid. The Senate's proposal also reflects an increase in minimum aid to \$160 per pupil, which was originally funded by the House.
- 8. Does the SWM budget reflect a strategy to provide multiple years of budget sustainability for the MBTA through a combination of operating budget and supplemental surtax investments?** Across their operating budget and supplemental budget proposals, the Senate provides nearly \$1 billion in funding for the MBTA in FY 2027. This total is \$126.7 million less than the funding provided by the Governor and is \$222 million less than the House. While the Governor and House intended to provide the authority with two years of budget sustainability, the Senate appears to close projected budget gaps for only FY 2027.
- 9. What are the most notable, unique policy proposals included in the SWM budget?** The SWM budget includes only 58 outside policy sections, 41 fewer than Governor Healey's proposal and 15 less than what was included by the House out of committee. This also represents a sharp reduction from the FY 2026 SWM budget, when the committee's bill included 90 policy sections. Of note, the Senate includes new policy initiatives related to local zoning and permitting approval, the creation of a new Foundation Budget Review Commission, and rates for automotive work covered by insurance.
- 10. Will spending in the final Senate budget exceed the Governor's original spending plan or the House budget?** Potentially, yes. The SWM budget includes \$66.3 million less than the Governor's budget and is \$120 million below the final House budget. Over the last three years, the Senate has added an average of \$84 million in new spending during debate. If the same trend holds for FY 2027, it is likely that the bottom line for the final Senate budget will exceed the Governor's recommendation and be slightly below the House budget.