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MTF Bulletin

June 1, 2026

Fiscal Year 2027 Budget: A Conference Preview

The Innovation & Capital Fund Supplemental Budget

For the second year, alongside the annual budget development process, policymakers are putting forward proposals to appropriate surplus income-surtax revenues currently held in the Innovation and Capital Fund. Though advancing separately from the annual operating budget, the investments included in the Innovation and Capital Fund supplemental budget are largely intended to complement FY 2027 state spending levels.

This year, in addition to appropriating surplus surtax revenues from the Innovation and Capital Fund, the House and Senate supplemental budget proposals also include funding to address non-surtax FY 2026 mid-year deficiencies, as well as policy proposals related to Massachusetts' conformity with certain tax provisions included in the federal One Big Beautiful Bill Act (OB3).

To provide an overview of the issues that will be reconciled during the supplemental budget conference committee process, this brief will assess the shared proposals and major differences found between the House and the Senate in each of these areas. As the supplemental budget is directly connected to FY 2027 operating budget spending and revenue assumptions, it is likely that budget negotiators will attempt to come to a resolution on the final bill prior to the start of the new fiscal year on July 1st.

Overview of the House and Senate Bills

In total, the House supplemental budget appropriates \$1.85 billion, \$1.29 billion of which is supported by supplemental surtax resources; and the Senate supplemental budget appropriates \$1.87 billion, \$1.38 billion coming from the surtax.

Spending in the Innovation and Capital Supplemental Budget

	House	Senate
Non-Surtax Supported Spending ¹	\$561	\$491
Surtax Supported Spending	\$1,290	\$1,382

¹ In this chart, non-surtax supported spending includes \$300 million that both branches originally included for the Group Insurance Commission. This funding was expedited by the House and Senate and passed separately on April 6, 2026. Later in this report MTF excludes this funding when discussing non-surtax supported spending.

Collected in FY 2025	\$1,290	\$1,282
Collected in FY 2026	-	\$100
Total Investments	\$1,851	\$1,873

\$ in millions

As part of the conference process, House and Senate budget leaders will reconcile the differences between their two versions before delivering a final supplemental budget to the Governor for her signature. MTF recommends that these negotiations take into consideration the following core principles:

- **Maintain Surtax Spending Guardrails** – MTF recommends that the final supplemental budget limits the use of surtax resources to surtax revenue collected in FY 2025. The use of FY 2026 surtax collections by the Senate creates a concerning precedent for spending revenue before the state can be certain of full year surtax collections.
- **Reconcile spending differences strategically** – Often during budget negotiations, revenue constraints force policymakers to make significant cuts to unique spending priorities. While the traditional process for reconciling spending differences aims to achieve equity between the two branches, it can often lead to final funding decisions that are less effective than either bill intended. MTF recommends that House and Senate decisionmakers take a strategic and wholistic approach when negotiating final spending decisions in the supplemental budget and focus on achieving larger shared goals rather than simply splitting the difference between proposals. Final spending and revenue decisions in the supplemental budget should also be made with the operating budget in mind as the two budget vehicles are linked.
- **Address immediate needs with an eye on the future** – Several areas of the supplemental budget would impact high-needs areas in FY 2027, particularly funding for the MBTA and for the Special Education Circuit Breaker program. While MTF supports the full funding of these important programs, we also recommend that policymakers keep in mind long-term planning around the use of surplus surtax resources. As MTF has [previously written](#), the balance of the Innovation and Capital Fund is likely to decrease in future fiscal years and surplus surtax spending in support of ongoing costs should be limited to minimize future funding cliffs for core operational programs.

Innovation and Capital Fund Surtax Spending

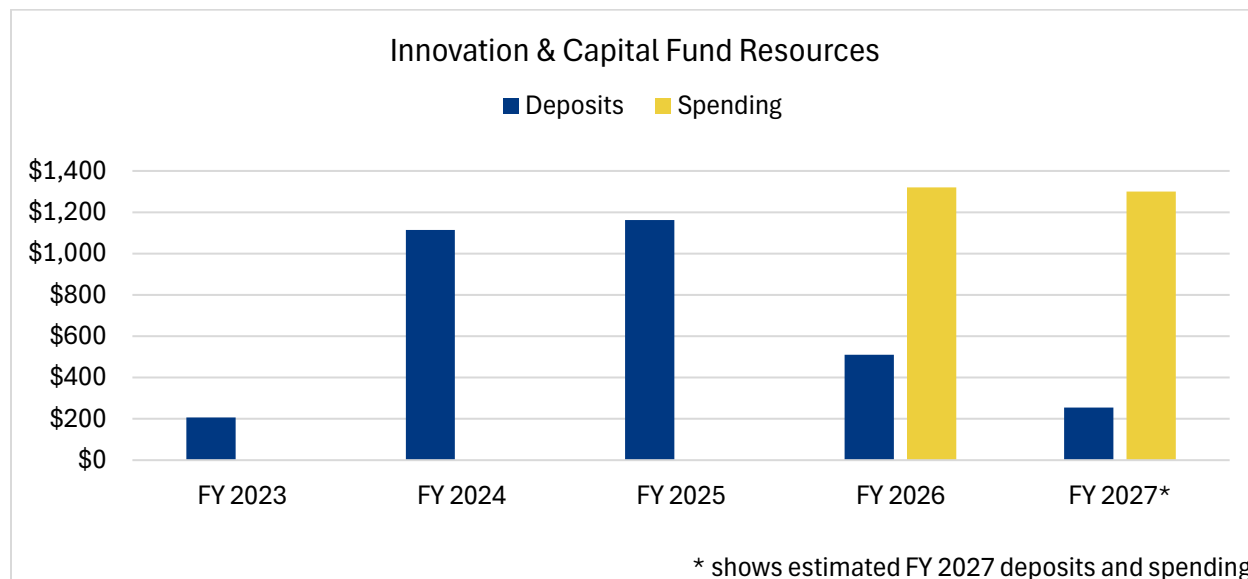
Resources Available for Spending

The state currently appropriates income surtax revenue in two main ways: 1) surtax collections up to a certain amount are spent in the state’s operating budget; and 2) 85 percent of the surtax collections that come in above the state’s operating budget cap are deposited into the Innovation and Capital Fund to be spent in the following fiscal year through a supplemental budget. In 2026, the balance available for supplemental spending in the Innovation and Capital Fund is \$1.3 billion.

The intention of the Innovation and Capital Fund is to support surtax investments on one-time and capital-related items or innovative pilots and to avoid tying ongoing programs to temporary resources. However, we continue to see a pattern of both one-time and operating spending included in the surtax supplemental budgets proposed by the Governor, House, and Senate.

During the initial years of surtax collections, the state only spent surtax revenue through the operating budget, building up the balance of the Innovation and Capital Fund. Last year, the state passed the first Innovation and Capital supplemental budget, spending \$1.3 billion out of the fund. This investment was largely supported by collections from FY 2024.

The chart below shows the deposits into and spending out of the Innovation and Capital Fund since the fund was created in 2023. Tax collections through April indicate that strong surtax collections are again likely in FY 2026. However, as discussed in [prior MTF reports](#), as more surtax is incorporated into the operating budget, even with strong collections, the projected deposits into the Innovation and Capital Fund will decrease, leaving less room for large supplemental spending bills in future fiscal years.



This year, policymakers will again spend close to \$1.3 billion out of the Innovation and Capital Fund in the final supplemental budget, supported by FY 2025 surtax collections. This level of spending would deplete almost the entirety of the resources currently held in the Innovation and Capital Fund. The Governor’s initial supplemental budget proposal, which she filed the same day as her FY 2027 budget, would have left about \$147 million remaining in the Innovation and Capital Fund². In comparison, the House and Senate supplemental budgets would leave \$10 million and \$18 million in the fund, respectively.

² Separate from her operating budget and Innovation & Capital supplemental budget, the Governor also proposed using \$200 million in surplus surtax to support research at public higher education institutions in response to federal funding declines as part of her DRIVE initiative.

Estimated Remaining Innovation & Capital Fund Balance, FY 2027

	House	Senate
Starting Balance	\$1,300	\$1,300
Proposed Spending	\$1,290	\$1,282
Estimated Remaining Balance	\$10	\$18

\$ in millions

In addition to the resources that were deposited into the Innovation and Capital Fund in FY 2025, the Senate proposes to use \$100 million in above threshold surtax revenue that the state is expected to collect in FY 2026 to support higher education research initiatives. This investment is excluded from the chart above and will be held aside from the other Innovation and Capital Fund spending proposed by the House and Senate in MTF’s analysis below, unless otherwise noted. Because final FY 2026 surtax collections have not yet been certified by the Department of Revenue, allocating FY 2026 resources in this supplemental budget is a concern for a sustainable income surtax strategy moving forward.

House and Senate High-Level Spending

At a high level, the House and Senate include roughly the same level of total spending out of the Innovation and Capital Fund in their supplemental budgets. The House spends \$1.29 billion and the Senate spends \$1.28 billion.

The House invests more heavily into transportation, with 65 percent of proposed supplemental spending going to transportation and 35 percent to education. The Senate division is 60 percent to transportation, 40 percent to education.

Total Innovation & Capital Fund Spending by Category

	House	Senate
Education	\$455.6	\$518.7
Transportation	\$834.1	\$763.2
Total Spending	\$1,289.7	\$1,281.9

\$ in millions

The conference committee will assess all shared and unique spending across the House and Senate versions of the supplemental bill to build a common version. The compromise bill will presumably include all shared spending by the House and Senate and then negotiations will determine the distribution of the remaining resources between unique spending priorities.

In MTF’s analysis of supplemental budget spending, spending proposals that are the same in both branches are categorized as shared spending. In areas where both branches fund the same program or initiative but at different amounts, the minimum level of spending between the two branches is considered shared. For example, the House proposed \$25 million for workforce support at the

Regional Transit Authorities (RTAs) while the Senate proposed \$45 million for the same item, MTF considers \$25 million as shared spending.

Unique spending includes proposals which were only funded by one branch as well as areas where the House and Senate fund the same program at different levels. In the case where one branch includes a greater amount of funding for a program than the other branch, the unique spending is the difference between the two proposals. For example, the House included \$2 million for Rural School Aid, while the Senate included \$4 million; MTF therefore considers \$2 million of the Senate’s proposal to be unique spending.

Both chambers also adopted hundreds of local earmarks related to education and transportation during the debate process. The majority of these earmarks are unique to each branch and MTF includes them in our calculation of unique spending.

Across the two bills, MTF categorizes \$869 million as shared spending and \$833 million as unique. The House and Senate proposals have more overlap than in [last year’s supplemental budget](#), where only \$645 million was shared between the branches and \$1.2 billion in spending was tied to unique priorities. This growing overlap between the two bills may indicate that as policymakers develop a regular cadence for appropriating surplus surtax revenues, they are also building consensus around how to deploy these resources.

Maximum Spending v. Available Resources

	House	Senate
Total Spending	\$1,289.7	\$1,281.9
Spending in Common	\$869.3	
Unique Spending	\$420.4	\$412.6
Maximum Spending	\$1,702.0	
Available Resources	\$1,300.0	
Difference	-\$402.0	

\$ in millions

MTF calculates the maximum level of spending included in both bills to be \$1.7 billion, about \$400 million greater than the resources that are available. Policymakers will have to reconcile this spending and resource gap during the conference committee process. They will be faced with challenging decisions regarding how the surtax revenues in the Innovation and Capital Fund can be used to fulfill the priorities of each branch and support critical state programs.

Shared Spending

Of the \$1.7 billion maximum spending estimate, approximately \$869 million supports shared spending priorities; including \$327.3 million in shared education spending and \$542 million in shared transportation investments.

In the education sector, key areas of shared spending include:

- \$150 million transfer to the Early Education and Care High-Quality and Affordability Trust Fund,
- \$152 million for the Special Education (SPED) Circuit Breaker,
- The same level of funding for higher education financial assistance (\$18.3 million) and the Adult Basic Education program (\$5 million).

Shared Surtax Spending – Education

	Both Branches
Early Education	\$150.0
K-12 Education	\$159.0
Higher Education	\$18.3
Total Shared Spending	\$327.3

\$ in millions

For transportation, shared spending in the supplemental budget is largely due to some overlap in spending proposed for the MBTA. Both branches propose:

- A minimum of \$430 million in spending on MBTA operating expenses,
- \$59 million in shared spending for MBTA physical infrastructure.

Shared Surtax Spending – Transportation

	Both Branches
MBTA	\$517.0
MassDOT	-
RTAs	\$25.0
Total Shared Spending	\$542.0

\$ in millions

Even with this shared level of spending for the MBTA, the House and Senate take different approaches to stabilizing the authority. As will be highlighted in the next section, this will likely be one of the major points of negotiation during the conference process.

Unique Spending

Collectively, the House and Senate include \$833 million in unique spending initiatives. Of that total, \$320 million is related to education investments and \$513 million is tied to transportation.

In the education sector, the largest spending difference is found in the proposals for funding the SPED Circuit Breaker:

- Senate funding totals \$232 million
- House funding totals \$152 million

In both proposals, this funding is intended to support the full-funding of the circuit breaker program in FY 2027 when combined with spending in the operating budget.

Unique Surtax Spending – Education

	House Unique	Senate Unique
Early Education	\$38.7	-
K-12 Education	\$25.0	\$154.4
Higher Education	\$35.1	\$10.0
Local/Other	\$29.5	\$26.9
Total Unique Spending	\$319.7	

\$ in millions

Other unique education funding priorities include:

- \$38.7 million for early education priorities including reducing the Child Care Financial Assistance (CCFA) income-eligible waitlist in the House,
- \$20 million for the Green Schoolworks program by the House,
- \$25 million for a school regionalization grant program in the Senate.

On the transportation side, House unique spending includes:

- \$125 million for MBTA workforce supports not included by the Senate,
- \$95 million more than the Senate in unrestricted MBTA operating support,
- \$30 million for workforce support at the Department of Transportation (DOT) not included by the Senate.

Unique Surtax Spending – Transportation

	House Unique	Senate Unique
MBTA	\$223.0	\$18.0
MassDOT	\$60.0	\$108.0
RTAs	-	\$70.0
Local/Other	\$9.1	\$25.2
Total Unique Spending	\$513.3	

In millions

While the House proposes greater funding

for the MBTA, the Senate provides higher funding levels for other transportation priorities including:

- \$20 million more than the House in workforce supports for the RTAs,
- \$50 million for RTA capital grants not included by the House,
- \$101 million in DOT funding for municipal snow and ice recovery efforts.

The MBTA alone accounts for \$241 million in unique spending between the two branches. The House appropriates a total of \$740 million in supplemental spending for the MBTA and the Senate provides only \$535 million for the authority. The House’s funding level would allow the MBTA to close its budget gap in both FY 2027 and FY 2028 while the Senate’s funding level would only provide sufficient funding for one year and would leave a sizable gap for FY 2028.

Though this year’s supplemental budget contains lower levels of unique spending than the prior surtax supplemental budget, there are still many important areas that will need to be reconciled. MTF recommends that the conference committee take a strategic and wholistic approach when negotiating the final supplemental budget, working to agree upon final funding numbers that thoughtfully support priorities and reduce the likelihood of future operating funding shortfalls

Other Supplemental Spending

In addition to spending supported by surtax revenues, the supplemental spending bills passed by the House and Senate also include approximately \$270 million³ in non-surtax spending primarily intended to address mid-year deficiencies. Mid-year deficiencies occur when the original appropriation for an account, program, or service is insufficient to meet actual costs due to increased demand, caseload, or other expenses. It is not uncommon for the state to pass supplemental budgets throughout the fiscal year to address these types of funding shortfalls.

In any fiscal year, the state’s ability to support non-surtax supplemental spending is reliant on a number of factors, including tax revenue performance and the availability of non-tax resources. In January, when Governor Healey originally filed her mid-year and Innovation and Capital Fund supplemental budget proposals, the administration indicated that sufficient revenues would be available to support the appropriations and other proposals included in the bills.

Through April, tax revenue collections have exceeded benchmark expectations and have grown by \$1.5 billion (4.1 percent) over the prior year. While strong revenue performance improves the state’s ability to pay for supplemental spending needs, it’s important to note that the state remains unlikely to generate a large non-surtax revenue surplus in FY 2026.

As MTF will detail in a forthcoming fiscal update brief, balancing the FY 2026 budget will continue to remain a challenge due to the unique process of collecting and spending capital gains and surtax revenues.

The sections that follow provide additional details on the non-surtax spending included in the two bills. While the majority of that spending is shared by the House and Senate, there is also \$81.5 million in unique non-surtax spending that must be reconciled via the conference committee process.

Non-Surtax Spending Proposed by the House and Senate

	House	Senate
Initial Spending	\$261.7	\$191.2
Shared Spending	\$185.7	
Unique Spending	\$76.0	\$5.5
Potential Max Spending	\$267.2	

\$ in millions

Shared Spending

Nearly 70 percent (\$185.7 million) of non-surtax spending between the House and Senate supplemental budgets is shared, with major items in common highlighted below.

³ The supplemental budgets originally proposed by the House and Senate included \$300 million for the Group Insurance Commission to address higher costs driven by increased utilization and pharmaceutical expenses. Due to the time sensitive nature of that appropriation, the House and Senate expedited its adoption and it was [approved by the Governor](#) on April 6, 2026.

- **Sheriffs' Offices** (\$54.5 million) – Both branches provide funding for the 14 county sheriffs' offices to address projected shortfalls. Each office that receives funding is required to submit a report to the administration, House, and Senate detailing the drivers of projected deficiencies in FY 2025 and FY 2026, as well as the steps taken to mitigate those deficiencies. Sheriffs' offices are also asked to submit plans detailing expenditures planned for FY 2027, which shall not exceed estimated spending in FY 2026.
- **Department of Transitional Assistance Staffing and Caseworkers** (\$41.7 million) – Originally proposed by the Governor, this funding supports DTA staffing costs, including caseworkers for administering assistance programs and implementing recent federal eligibility changes.
- **Department of Correction Facilities** (\$31 million) – Identified as a mid-year deficiency by the administration, this funding addresses a projected funding shortfall for DOC primarily related to the rising costs of healthcare contracts.
- **Federal Home Energy Assistance Program** (\$20 million) – The House and Senate both included additional funding for the federal Low Income Home Energy Assistance Program (LIHEAP), which provides financial assistance for winter heating bills to low-income older adults, working families, and other eligible households. The House included \$35 million, while the Senate bill reflects a \$20 million supplemental investment.
- **Health Care Affordability Working Group** (\$500K) – The Governor, House, and Senate all provide \$500K to support the work of the Health Care Affordability Working Group, created to develop proposals to reduce health care costs and improve affordability for patients, families, and employers.

Unique Spending

Approximately 30 percent (\$81.5 million) of total non-surtax spending in the supplemental budget proposals supports unique initiatives from either the House or Senate. Notable unique proposals include:

- **Massachusetts Transportation Trust Fund** (\$50 million) – The House proposes a \$50 million supplemental appropriation for the Department of Transportation. This funding is intended to support snow and ice removal costs in FY 2026. As noted earlier, the Senate also included funding for winter recovery efforts, including snow and ice removal; however, that investment is directed towards municipalities and funded using surtax revenues.
- **2026 World Cup Costs** (\$10 million) – The House includes a unique investment of \$10 million for activities related to the 2026 World Cup matches hosted in Massachusetts.
- **Affirming Health Care Trust Fund** (\$3.5 million) – The Senate dedicates \$3.5 million to the Affirming Health Care Trust Fund. This fund supports gender-affirming healthcare services and is overseen by the Commission of Public Health.
- **Immigrant Legal Assistance Fund** (\$1 million) – The Senate bill includes a \$1 million investment for the Immigration Legal Assistance Fund, administered by the Office of

Refugees and Immigrants. This fund supports legal representation for immigrants and refugees in Massachusetts, including services provided by non-profit organizations.

Tax Conformity Proposals

The last major component of the Innovation and Capital Fund supplemental budgets passed by the House and Senate are the policy proposals related to Massachusetts’ conformity with certain tax provisions included in the federal One Big Beautiful Bill Act (OB3).

As MTF has [previously written](#), the corporate tax provisions in OB3 are largely intended to spur economic development by incentivizing business investment in infrastructure and other assets. For states like Massachusetts that automatically conform to the federal corporate tax code, these changes are projected to result in significant state tax revenue losses in FY 2026 and FY 2027.

To mitigate revenue losses, prepare for future changes to the federal tax code, and make minor adjustments to comply with federal reforms, Governor Healey filed standalone tax conformity legislation on January 15th. The major components of the bill are outlined in the table below.

Major Policy Proposals in Tax Conformity Legislation

Proposal	Description	House Action	Senate Action
Delayed Conformity			
<i>R&E Expense Deduction (1 year delay)</i>	Delays the full deductibility of domestic R&E expenses until tax year 2026; does not permit retroactivity provisions.	Technical Changes	Technical Changes
<i>Manufacturing Facilities & Qualified Production Property (2 year delay)</i>	Delays conformity with an elective 100% depreciation allowance until tax year 2027; post-delay, allows the 100% depreciation allowance until 2030.	Technical Changes	Technical Changes
<i>Modification of Business Interest Deductions (2 year delay)</i>	Delays the restoration of the business interest deduction based on EBITDA until tax year 2027.	Technical Changes	Technical Changes
<i>Increased Depreciation of Certain Business Expenses (2 year delay)</i>	Delays the increase to the deduction cap for certain business expenses from \$1M to 2.5M until tax year 2027.	Technical Changes	Technical Changes
<i>Enhanced Opportunity Zones (2 year delay)</i>	Limits the eligibility for tax benefits related to investments in opportunity zones to only investments in opportunity zones located in Massachusetts.	Technical Changes	Technical Changes
Pass-Through Entity Excise Expansion			
<i>PTE Excise Expansion</i>	Expands the existing state and local tax deduction workaround to account for the income surtax.	Technical Changes	Technical Changes
Prospective Conformity Delay			

<i>Prospective Conformity Delay</i>	Delays conformity with any amendment to the federal tax code estimated to have a state revenue impact of at least \$20M.	Substantive Change	Technical Changes
Income Tax Ballot Question			
<i>Income Tax Ballot Question Contingency</i>	Ties the state’s conformity to the federal corporate tax code to the passage of a ballot question to reduce the income tax rate from 5% to 4%. If the question passes, the state would decouple from the federal tax code pertaining to these five provisions. DOR is also directed to assess the fiscal impact of all corporate tax deductions or credits to offset the revenue implications of the ballot question.	Original Proposal	Not Included

The House and Senate incorporated the administration’s tax conformity policy proposals into their Innovation and Capital Fund supplemental budgets with limited changes. The two branches agreed to a phased-in conformity schedule for the five policy changes estimated to have the largest fiscal impacts and they adopted the Governor’s recommendation to expand the state’s existing Pass-Through Entity (PTE) excise to include the income surtax. Detailed descriptions of these policy changes are included in MTF’s [earlier analysis](#).

Additionally, both branches included in their FY 2027 operating budget proposals revenue assumptions associated with delayed conformity. The positive revenue impact of this phased-in approach totals \$404 million in FY 2027.

Two areas that reflect substantive differences between the two branches are proposals related to the state’s future conformity with amendments to the federal tax code and the interplay between conformity and a proposed ballot question to lower the state income tax rate from five percent to four percent.

Future Conformity

- **House Proposal** – Delays state conformity with an amendment to the federal tax code if the amendment is determined to result in a *loss or gain of \$20 million* in state tax revenue, based on a rolling three-year average.
- **Senate Proposal** – Delays state conformity with an amendment to the federal tax code if the amendment is determined to have a *fiscal impact of \$20 million or more*. The Senate language does not specify if the revenue impact must be positive or negative for the delayed conformity to take effect.

Both branches require the Department of Revenue (DOR) to submit to the Legislature, and post on their website, a report detailing the estimated fiscal impact of an amendment to the federal tax code within 90 days of the amendment’s adoption.

Income Tax Ballot Question

The House included unique language in their supplemental budget proposal connecting conformity with the major corporate tax provisions included in OB3 to the results of a ballot question to reduce the state's income tax rate from five percent to four percent.

Specifically, if the ballot question passes, the House language would disallow in all future tax years the deductions and allowances related to (1) research and experimental expenditures, (2) manufacturing facilities and other qualified production property, (3) modifications on business interest, (4) depreciation of certain business expenses, and (5) enhanced opportunity zones.

Furthermore, the House directs DOR to review the state's conformity with all other corporate tax provisions and to identify the fiscal impact of each corporate tax deduction or credit. DOR is also asked to make recommendations on decoupling from specific provisions to offset the projected revenue losses associated with reducing the income tax rate.

As MTF's [earlier analysis](#) projected, compared to the level of revenues that would otherwise be collected, a reduction in the state income tax rate from five percent to four percent would reduce state tax collections by \$5.4 billion by FY 2030.

Neither the Governor nor Senate included language tying the results of the ballot question to the state's conformity with the federal tax code, making this one of the more substantive differences that must be negotiated during the conference process.

Bottom Line

The Innovation and Capital Fund supplemental budget offers an opportunity for policymakers to make meaningful investments in the state's education and transportation sectors, address immediate needs, and explore innovative solutions to challenges facing the state. In this supplemental budget, the House and Senate each put forward their proposals to spend \$1.3 billion in above threshold surtax revenue. They also propose spending more than \$200 million of non-surtax resources on FY 2026 mid-year deficiencies and put forward policy proposals to address Massachusetts' conformity with recent federal tax changes. Decisionmakers will now negotiate a compromise supplemental budget at the same time as they are deliberating a final FY 2027 operating budget.

MTF has identified the following high-level principles and corresponding recommendations for the Conference Committee as they deliberate the supplemental budget proposals:

1. **Maintain Surtax Spending Guardrails** – Surtax spending should be limited to surtax that was collected in FY 2025. If the Conference Committee would like to include the Senate's investment in higher education research, this funding should be supported by other sources rather than by FY 2026 surtax collections.

2. **Prioritize Shared Goals and Effective Investments** – Budget writers should focus negotiation on big picture goals like ensuring full funding for the MBTA rather than the traditional compromise method of splitting the difference between unique priorities.
3. **Build Sustainability into the Budget While Addressing Near-Term Costs** – The supplemental budget this year addresses several immediate needs for the state, from special education and the MBTA budget gap to sheriff’s office funding and DTA staffing costs. While these investments are needed in FY 2027, MTF cautions against the pattern of relying on surplus surtax resources in the Innovation and Capital Fund to support ongoing programs that will need to be built back into the state’s annual budget in the future.
4. **Prioritize Simplicity, Predictability, and Competitiveness on Tax Conformity** – The tax conformity approach put forward by the Governor and adopted by the Legislature is understandable given the state’s dual goals of mitigating severe revenue shocks and preserving the state’s competitiveness. Maintaining state-level conformity with the federal corporate tax code is key to protecting the state’s recent progress on business taxes, easing compliance hurdles for businesses, and incentivizing new investment. In resolving areas of disagreement between the House and Senate, MTF urges policymakers to prioritize predictability and simplicity, making it easier to do business and promote investment in Massachusetts.

As demonstrated in this brief, spending and revenue decisions in the supplemental budget are directly connected to decisions that are made in the annual operating budget. Therefore, as an overarching theme, MTF recommends that legislative leaders take a comprehensive approach to the supplemental budget and operating budget conference processes.