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

## *MTF Bulletin*

July 1, 2026

### **FY 2027 Conference Committee Report Summary**

The Conference Committee, led by the Chairs of the House and Senate Committees on Ways and Means, released the Conference Report compromise budget for FY 2027 on June 30<sup>th</sup>. The House and Senate will next vote to enact the final FY 2027 budget, totaling \$63.42 billion in line-item spending, before sending the bill to Governor Healey's desk.

The compromise budget proposes spending growth of \$2.37 billion, or 3.9 percent over the FY 2026 General Appropriations Act (GAA)<sup>1</sup>. The Conference Report includes \$54.3 million more than Governor Healey's original spending plan for FY 2027, \$500K more than the House budget, and \$50.1 million more than the Senate budget.

Ultimately, with common approaches to resource decisions, fewer major policy differences than in prior years, and 99 percent of spending in common between the House and Senate budgets, policymakers were able to finalize the FY 2027 budget by the July 1<sup>st</sup> deadline for the second year in a row. Governor Healey now has 10 days to sign the budget as is or return it to the Legislature with vetoes or amendments.

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### **FY 2027 Conference Report – Top 3 Things to Know**

- 1. Spending growth in the budget is notably less than in recent years.** The compromise budget keeps spending levels within the range proposed by the Governor, House, and Senate and limits spending growth to 3.9 percent above the FY 2026 GAA. This level of spending growth represents a departure from the FY 2026 budget development process, where the final budget grew spending over the prior year by 5.6 percent, and from recent trends (GAA spending growth averaged 6.2 percent from FY 2023 to FY 2026). Following several years of higher-than-expected revenue growth post-pandemic and state spending, which has exceeded historic revenue growth rates, MTF has urged policymakers to better align spending with the current revenue and fiscal picture, made more complicated by impending impacts from federal funding and policy decisions that will materialize in the state budget in the coming fiscal years.

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<sup>1</sup> MTF includes \$72 million which was set aside in the Commonwealth Transportation Fund for debt-service payments in the calculation for total line-item spending in the FY 2026 GAA.

2. **House and Senate budget writers adhered to revenue assumptions and limited spending increases in most areas, including in the surtax.** The Conference Report adopts the Governor’s budget gap closing framework with some additions that were also shared between the House and Senate budgets. The Conference Committee did not adjust revenue assumptions nor alter the surtax spending cap of \$2.7 billion. On the spending side, proposals largely focus on maintaining core state services and commitments like funding the final year of the Student Opportunity Act (SOA), providing the MBTA funding to close its FY 2027 budget gap, and funding for MassHealth and other healthcare and support services. The surtax continues to support major education and transportation-related initiatives, contributing to a \$2.4 billion increase in education spending and a \$690 million increase in transportation spending compared to the FY 2026 GAA. The most notable non-surtax-related investment is a \$40 million increase in Unrestricted General Government Aid (UGGA). The Conference Report includes \$1.36 billion for UGGA and includes a Senate proposal to distribute \$30 million of the increased funding to communities on a per capita basis.
  
3. **The FY 2027 includes 132 outside policy sections, the most notable related to healthcare and education.** Though both the House and Senate budgets included significantly fewer outside policy sections in their individual budget proposals this year, the final FY 2027 budget includes only 3 fewer outside sections than last year’s budget. The Conference Report includes sections creating a new Foundation Budget Review Commission to study K-12 education funding, language placing greater oversight on school transportation spending, an extension of the ConnectorCare pilot program, and language requiring that insurers cover HIV prevention medication. Other notable policy sections include a section related to supporting the cost of increases to the state retiree COLA base and a section establishing spending controls and greater financial oversight for sheriff’s offices. Taken together, the outside sections appear to balance House and Senate priorities and highlight significant policy discussions that will continue into the next legislative session.

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## **FY 2027 Budget Resources**

### *Baseline Tax Revenues*

Conference negotiators assume \$42.2 billion in non-surtax tax collections in their final budget, the same consensus tax revenue foundation established at the beginning of the budget development process in January and relied upon in each earlier version of the FY 2027 budget. The consensus revenue estimate assumes 2.4 percent non-surtax revenue growth over estimated FY 2026 collections.

In spite of continued economic uncertainty, FY 2026 state collections have exceeded initial expectations. Non-withheld income tax collections continue to drive overall performance, growing

by 11.5 percent over FY 2025 collections, largely due to the income surtax and capital gains revenue. Withheld income tax collections also show strength, growing by 6.6 percent over the prior year. However, sales tax collections, which also tend to be a barometer for the current state of the economy, remain weak, only growing by 0.8 percent compared to FY 2025.

Revenue collections through May total \$40.8 billion, representing 4.2 percent growth over FY 2025 and 4.7 percent above the year-to-date benchmark. The impact of capital gains and surtax revenue on total collections also presents a challenge, as these revenue sources can be volatile and their uses are restricted in the state budget, creating a more limited buffer for policymakers to close out the FY 2026 budget.

### *Income Surtax Revenue*

For income surtax-supported spending, the Conference Report utilizes a surtax spending cap of \$2.7 billion. This threshold is equal to the total amount of surtax collections projected for FY 2027 as determined during the consensus revenue agreement process in January. The Governor, House, and Senate budgets all reflected \$2.7 billion in total surtax spending.

In FY 2025, the state collected just over \$3 billion in surtax revenue. The Department of Revenue (DOR) recently certified that through the third quarter of FY 2026, surtax collections are already estimated to exceed \$3 billion and so will likely significantly exceed the FY 2025 level<sup>2</sup>. During the FY 2026 conference committee process, budget writers chose to increase the FY 2026 surtax spending cap from \$1.95 billion to \$2.4 billion, as a result of collections exceeding expectations. This decision allowed the state to incorporate greater investment of surtax revenue in the operating budget but, as [MTF has written previously](#), this trend will leave smaller deposits going forward for future Innovation and Capital Fund supplemental spending and may create greater structural challenges in the operating budget over time.

Even as surtax collections remain strong in FY 2026, MTF supports the Conference Committee's decision to stick with the originally agreed upon surtax spending cap in the operating budget. The Conference Committee also adopted the Senate's structure for surtax spending, consolidating spending for programs which are supported by both surtax and non-surtax resources into single line-items and publishing a new Section 2F chart which summarizes what percent of each program's appropriation is supported through the surtax. MTF supports this approach to provide a cleaner and more transparent view of surtax use in the budget that will make it easier to consistently track the use of surtax revenues going forward.

### *Revenue Initiatives & One-Time Revenues*

As MTF highlighted throughout the FY 2027 budget development process, the Governor, House, and Senate faced the same basic challenge in putting together their budget proposals: an estimated \$3.5 billion budget gap caused by limited ongoing revenue growth and increasing cost pressures. To close

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<sup>2</sup> Massachusetts DOR Certification of Surtax and Capital Gains Tax, June 12, 2026 <https://www.mass.gov/lists/massachusetts-dor-certification-of-surtax-and-capital-gains-tax>

the majority of this gap, the House and Senate both adopted a revenue solutions framework that closely mirrored the Healey administration’s original recommendations and totaled approximately \$2.6 billion.

As written about in [MTF’s Conference Preview](#) report, the largest revenue initiatives included those related to the passage of tax conformity legislation, education-related trusts, and an adjustment to the capital gains threshold.

The table below compares the revenue assumptions associated with different proposals across each version of the budget. As demonstrated, the conference budget does not introduce any new revenue or resource proposals.

*FY 2027 Conference Budget: One-Time Resources*

	FY 2027 – Governor	FY 2027 – House	FY 2027 – Senate	FY 2027 – Conference
Pension Fund Schedule Adjustment	\$277	\$277	\$277	\$277
Capital Gains Threshold Adjustment	\$467	\$467	\$467	\$467
Capital Gains OPEB Dedication	\$100	\$100	\$100	\$100
OB3 Delayed Conformity	\$108	\$108	\$108	\$108
Expanded Pass-Through Entity Excise	\$296	\$296	\$296	\$296
Surplus Surtax Revenue	\$150	\$152	\$200	\$152
Efficiencies & Effectiveness Initiative	\$100	\$100	\$100	\$100
EEC Operational Grant Trust Fund	\$75	\$100	\$100	\$100
EEC High-Quality & Affordability Trust Fund	\$184	\$184	\$184	\$184
SOA Trust Fund	\$568	\$568	\$568	\$568
Other Departmental & Trust Initiatives	\$250	\$250	\$325	\$325
<b>Total Revenue Solutions</b>	<b>\$2,575</b>	<b>\$2,602</b>	<b>\$2,725</b>	<b>\$2,677</b>
<b>Est. One-Time Solutions</b>	<b>\$1,360</b>	<b>\$1,829</b>	<b>\$1,952</b>	<b>\$1,904</b>

*\$ in millions*

Across these revenue solutions, MTF estimates that \$1.9 billion are one-time in nature. The largest one-time revenue solutions continue to come from:

- Education-related trust funds (\$852 million)**– The Conference Report dedicates \$852 million from trust funds related to early education and the SOA towards key education programs. These investments from the Operational Grant Trust Fund, the High-Quality & Affordability Trust Fund, and the SOA Trust Fund would spend down the resources currently held in each of those accounts. Though it is the newest of the three funds, the Operational Grant Trust Fund is the only fund which benefits from an ongoing revenue source, online-lottery collections. FY 2027 will be the first year that iLottery will begin collecting revenue that will be deposited into the Operational Grant Trust Fund.
- Capital gains diversions (\$467 million)** – The Conference Report adopts the common proposal to increase the capital gains threshold to \$2.25 billion in FY 2027, making \$467 million in additional revenue available for budgeted spending. The Conference Report also

permanently changes the calculation of the capital gains threshold going forward, adopting a proposal included in the Governor and House’s proposals. This change will increase the capital gains operating budget threshold on an ongoing basis.

The \$1.9 billion in one-time solutions included in the FY 2027 Conference Report is not out of line with historic levels of non-recurring revenues, however, it does represent a trend of a growing use of one-time solutions to balance the operating budget, \$1.9 billion is \$372 million over the level that was used in last year’s budget<sup>3</sup>. This increased reliance on one-time resources will naturally contribute to increased pressure in next year’s budget as policymakers must replace those funds going forward.

*Connecting FY 2026 to FY 2027*

As the FY 2027 budget process comes to a close, it is critical to remain aware of the importance of FY 2026 ending in a strong place. As noted above, tax collections through May are 4.2 percent ahead of FY 2025. However, the strongest year-over-year growth continues to be in non-withheld income, which will likely limit the availability of any surplus to be used to support general spending needs at the end of FY 2026.

Furthermore, both the Governor, House, and Senate budgets manage spending growth in FY 2027 by covering nearly \$1 billion in obligations with FY 2026 resources. The ability to make these payments, as well as address additional supplemental spending needs that have arisen throughout the fiscal year, is reliant on FY 2026 revenues continuing to exceed expectations.

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**FY 2027 Budget Spending**

*High Level Line-Item Spending*

The FY 2027 Conference Report includes \$63.42 billion in total line-item spending, including \$2.7 billion in surtax investments and \$548 million for a transfer to the Medical Assistance Trust Fund. This total represents a \$2.37 billion (3.9 percent) increase over the FY 2026 GAA. This spending total is \$500K greater than the House budget, \$50 million above Senate total spending, and \$54 million more than Governor Healey’s original FY 2027 proposal.

*FY 2027 Conference Budget: Line-Item Spending*

	FY 2026 GAA	FY 2027 – Governor	FY 2027 – House	FY 2027 – Senate	FY 2027 – Conference
Line-Item Spending	\$58,098.4	\$60,113.7	\$60,167.5	\$60,117.9	\$60,168.0
Surtax Spending	\$2,400.0	\$2,700.0	\$2,700.0	\$2,700.0	\$2,700.0
Medical Asst. Trust Fund	\$547.6	\$548.0	\$548.0	\$548.0	\$548.0

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<sup>3</sup> MTF categorizes the impact of the capital gains threshold adjustment as one-time revenue. Excluding capital gains revenue, the amount of one-time solutions in the FY 2027 budget is \$1.4 billion.

<b>Total Line-Item Spending</b>	<b>\$61,046.0<sup>4</sup></b>	<b>\$63,361.7</b>	<b>\$63,415.5</b>	<b>\$63,365.9</b>	<b>\$63,416.0</b>
Pre-Budget Transfers	\$7,651.0	\$7,887.0	\$7,887.0	\$7,887.0	\$7,887.0
Other Off-Budget	\$100.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Spend</b>	<b>\$68,797.0</b>	<b>\$71,248.7</b>	<b>\$71,302.5</b>	<b>\$71,252.9</b>	<b>\$71,303.0</b>

*\$ in millions*

At a high level, the spending differences between the House and the Senate budgets were marginal. According to MTF's analysis, more than 99 percent of spending was shared across the two budgets. However, the Conference Committee was still tasked with reconciling \$863 million in unique spending items.

Line-items with Conference spending notably less than either House or Senate proposals include:

- **Funding for the Winter Beds program was excluded from the Conference Report:** This line-item was funded at \$12 million by the Governor and at \$8 million in the House budget.
- **\$4 million the Chapter 70 ESOL Reserve:** This line-item which provides funding for English for Speakers of Other Languages (ESOL) was funded at \$10 million in the House budget.
- **\$122 million for the DTA Caseworkers Reserve:** The Senate and the Governor had included \$148 million for DTA caseworkers to expand the DTA workforce.
- **\$15 million for Early College programs:** The Senate had included \$21 million combined in non-surtax and surtax funding; surtax resources accounted for \$6 million in the Senate budget.
- **\$15.5 million for CPPI:** The Commonwealth Preschool Partnership Initiative was funded at \$37 million by the Governor and \$28.5 million by the Senate.
- **\$465 million for the MBTA:** The Governor, House, and Senate budgets had each originally provided a \$470 million transfer to the MBTA supported by the surtax.

#### *House Priorities, Non-Surtax*

- **\$209 million for Residential Assistance for Families in Transition (RAFT):** The House budget included \$210 million for RAFT, while the Senate budget included \$201 million, level with the Governor's proposal.
- **\$12.4 million for community health center services:** The House originally proposed \$11.4 million for community health center services, while the Senate proposed \$6.6 million.
- **\$10 million for shelter workforce assistance:** The House proposed \$10 million for the Executive Office of Housing and Livable Communities (EOHLC) shelter workforce assistance. The Senate excluded this funding from its budget.

#### *Senate Priorities, Non-Surtax*

- **\$1.36 billion for Unrestricted General Government Aid (UGGA):** The House budget proposed increasing UGGA by \$10 million compared to FY 2026, while the Senate proposed

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<sup>4</sup> In the calculation for total line-item spending in the FY 2026 GAA, MTF includes \$72 million which was set aside in the Commonwealth Transportation Fund for debt-service payments.

a \$53 million increase. The Conference Report more closely meets the Senate's appropriation, including a \$40 million increase in local aid, and also includes language proposed by the Senate to distribute the increased UGGA funding to communities based on their per capita population rather than an across-the-board increase to each community as has previously been the case.

- **\$695 million for adult mental health and support services:** The Conference Report includes the Senate's funding level for adult mental health and support services programs. The House had proposed funding these services at \$680 million.
- **\$35 million for the Department of Children and Families (DCF) family resource centers:** The final budget includes the Senate's funding level for DCF's family resource centers, level with FY 2026, rather than the House proposal of \$26 million for the centers, which would have decreased funding by \$9 million.

### High Level Surtax Spending

The FY 2027 Conference Report includes \$2.7 billion in surtax spending. This is consistent with the surtax spending cap agreed to during the Consensus Revenue process. Unlike in FY 2026, budget writers did not increase total surtax spending during the conference committee process.

The surtax spending included in the operating budget is heavily skewed towards education (64.1 percent) compared to transportation (35.9 percent). Though still not an equal distribution, when considered alongside the final Innovation and Capital Fund supplemental budget, which spent an additional \$1.35 billion in surplus surtax, the split is slightly more even, with 57 percent of total surtax spending in FY 2027 going to education and 43 percent going to transportation investments.

### FY 2027 Conference Budget: Surtax Investments

	FY 2026 GAA	FY 2027 – Governor	FY 2027 – House	FY 2027 – Senate	FY 2027 – Conference
<b>Education</b>	<b>\$1,688</b>	<b>\$1,725</b>	<b>\$1,725</b>	<b>\$1,725</b>	<b>\$1,730</b>
<i>Early Education</i>	\$661	\$636	\$599	\$648	\$635
<i>K-12 Education</i>	\$760	\$853	\$868	\$831	\$830
<i>Higher Education</i>	\$267	\$236	\$258	\$246	\$265
<b>Transportation</b>	<b>\$712</b>	<b>\$975</b>	<b>\$975</b>	<b>\$975</b>	<b>\$970</b>
<i>MBTA</i>	\$0	\$470	\$470	\$470	\$465
<i>MassDOT</i>	\$0	\$220	\$220	\$220	\$220
<i>RTAs</i>	\$162	\$185	\$185	\$185	\$185
<i>Other/Local Programs</i>	\$0	\$100	\$100	\$100	\$100
<i>Undesignated CTF</i>	\$550 <sup>5</sup>	\$0	\$0	\$0	\$0
<b>Total Spend</b>	<b>\$2,400</b>	<b>\$2,700</b>	<b>\$2,700</b>	<b>\$2,700</b>	<b>\$2,700</b>

\$ in millions

<sup>5</sup> In FY 2026, \$550 million of surtax was transferred to the CTF and distributed between the MBTA and MassDOT.

In FY 2027, the Governor, House, and Senate proposals all remained consistent in their top-line surtax proposals – each budget proposed \$1.73 billion for education and \$975 million for transportation. The Conference Report shifted that distribution slightly, with transportation receiving \$970 million due to a \$5 million decrease in funding to the MBTA.

#### *Surtax Transportation Spending*

The Governor, House, and Senate budgets again proposed transferring surtax resources for transportation to the Commonwealth Transportation Fund to distribute funding to the MBTA, MassDOT, RTAs, and local programs. These investments were complemented by additional transportation spending included in the Innovation and Capital Fund supplemental budget that can be used to support additional costs in FY 2027.<sup>6</sup>

In the final Conference Report, the MBTA received slightly less surtax funding than was originally proposed by the three branches, bringing final surtax transportation spending in the operating budget to \$970 million, which is broken down as follows:

- **\$465 million** is transferred to the **MBTA**
- **\$220 million** is transferred to **MassDOT**
- **\$185 million** is transferred to the **RTAs**
- **\$100 million** is used to support the cost of **human services transportation**<sup>7</sup>

This coalescence between the branches on a transportation strategy during the budget process meant that all unique surtax spending between the House and Senate was found in the education sector.

#### *Education Surtax Spending*

Even with unique priorities across the two branches, the House and Senate were fairly consistent in their largest education surtax spending areas, highlighting that a majority of surtax resources are being used to support large ongoing programs rather than fund the creation of smaller new initiatives.

- **Student Opportunity Act (SOA) Implementation – \$585.5 million:** The House and Senate both used surtax to support the final year of the SOA, though at different levels, \$551 million in the House and \$576 million in the Senate. The Conference report slightly increases the K-12 funding formula's reliance on the surtax from previous versions of the budget.
- **Commonwealth Cares for Children (C3) Grants – \$375 million:** Both branches proposed funding a majority of the cost of the C3 program with a similar level of surtax resources; the House proposed \$365 million and the Senate \$375 million in their original budgets.

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<sup>6</sup> The Innovation and Capital Fund supplemental budget included \$596 million for the MBTA, \$125 million for MassDOT, \$40 million for RTAs, and \$19 million for local transportation projects.

<sup>7</sup> The use of surtax to support human services transportation costs is a new use of surtax in FY 2027, human services transportation receives a total of \$449.6 million in the budget, supported through non-surtax and surtax resources.

- **Child Care Financial Assistance (CCFA) – \$244.2 million:** Both branches utilized the surtax to support maintenance funding for CCFA in FY 2027; the House budget included \$234 million for CCFA, while the Senate included \$244 million.
- **Free Community College – \$137 million:** The final Conference Report included the Senate’s funding level for free community college, slightly more than the House’s proposal of \$127 million for the program.
- **Community College SUCCESS Program – \$14 million:** The Senate funded the community college SUCCESS program at \$14 million with non-surtax resources, while the House had proposed an \$18 million surtax investment.
- **Targeted Scholarships – \$5 million:** The House budget uniquely included \$10 million for targeted scholarships, while the Senate did not include funding for this program.
- **Commonwealth Preschool Partnership Initiative (CPPI) – \$15.5 million:** The House provided only \$5 million in non-surtax resources for this program, while the Senate had proposed a surtax investment of \$28.5 million.
- **UMass SUCCESS Program – \$10 million:** The House and the Senate both funded the UMass SUCCESS program at \$10 million, though the House had proposed using non-surtax resources to do so in its budget.

#### *Connecting Supplemental Surtax Spending*

As MTF has [written](#) previously, surtax spending in the operating budget and in the Innovation and Capital Fund supplemental budget is closely tied. Several major education and transportation priorities receive funding both in the operating budget and in the supplemental budget, including:

- **Special Education Circuit Breaker** – \$654.6 million in non-surtax resources in the operating budget and \$152 million in surplus surtax resources in the supplemental budget, bringing total funding for the program in FY 2027 to \$806.6 million.
- **Child Care Financial Assistance (CCFA)** – \$1.2 billion in both surtax and non-surtax resources in the operating budget and an additional \$31.2 million in the supplemental budget.
- **MBTA** – \$465 million from the surtax in the operating budget and an additional \$596 million in the Innovation and Capital Fund supplemental budget. MTF has recommended that budget writers provide multi-year support for the MBTA to allow the authority to better plan strategically for the future. MTF’s analysis finds that together, these investments are consistent with closing the MBTA’s projected budget gap for FY 2027, however, it would not support closing the projected deficit in FY 2028.

The level of operating spending included in the Innovation and Capital Fund supplemental budget increased this year. MTF categorized 44 percent of spending in the Innovation and Capital Fund supplemental budget as ongoing spending, and 56 percent as one-time spending. Compared to last year’s supplemental budget, where 24 percent was considered operating and 76 percent one-time, this year’s supplemental budget highlights a concerning trend policymakers should be aware of moving forward.

The intention of the Innovation and Capital Fund is to support one-time and capital-related investments or innovative pilots to avoid tying ongoing programs to temporary surtax resources. As a greater share of surtax collections continue to be incorporated into the operating budget, the projected deposits into the Innovation and Capital Fund will decrease in future years, leaving less room for large supplemental spending bills. This reality, coupled with an increased reliance on the supplemental budget to support operating expenses for large high-cost programs, will place structural pressure on the budget in the coming years.

*Other Budget Pressures to Watch For*

The FY 2027 budget is notable for adhering to a consistent strategy for addressing a significant budget gap, maintaining modest levels of spending growth, and including a lesser level of potential underfunding for major programs than in recent years. Though there are impending budget pressures on the horizon due to federal action from the Trump administration’s One Big Beautiful Bill Act (OB3) that will impact state and local finances, policymakers adopted a largely status quo approach for the budget this year. OB3 impacts on Medicaid and SNAP funding will likely begin to materialize next year, but there are minimal references to these upcoming challenges in the FY 2027 budget.

As noted above, the budget included \$122 million for DTA caseworkers - while this represents an increase compared to FY 2026 levels, the total included in the Conference Report is a smaller increase than what was proposed in the Senate budget to expand the DTA workforce to prepare for changes to SNAP and a greater administrative burden on the agency. Policymakers also acted earlier this year in the Innovation and Capital Fund supplemental budget to delay conformity with a range of federal tax reforms included in OB3. Delaying conformity with federal tax changes will certainly mitigate the immediate impacts of these changes to state revenues, but policymakers will still need to plan for the likelihood of reduced revenues beginning in the FY 2028 budget.

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**FY 2027 Policy Sections**

The Conference Report includes 132 outside policy sections, very similar to the 135 sections included in the FY 2026 budget. The Conference Report includes 37 more sections than proposed by the House and 27 more sections than the Senate.

*FY 2027 Conference Budget: Outside Section Summary*

	House	Senate
<b>Total by Branch</b>	<b>95</b>	<b>105</b>
Shared	34	
Unique	61	73
<b>Total Conference Sections</b>	<b>132</b>	
Unique Sections in Conference	43	53

This year, both the House and the Senate reduced their number of outside policy sections. This reduction is likely partially a result of new legislative rules, which keep more bills active late in the session. Out of the total 168 policy sections that were included across the House and Senate budgets, 34 were shared between the two bills, and 134 were unique to either the House or Senate; 96 unique sections were included in the Conference report.

The table below highlights notable outside policy sections that were proposed by either the House or Senate, the resolution of the section in the Conference report, and (when applicable) the relevant section citation.

*FY 2027 Conference Budget: Notable Outside Sections*

Title	House	Senate	Conference Resolution	Description
Permanent Capital Gains Threshold Change	Y	N	Yes (18) House	The Conference report requires the excess capital gains threshold to be adjusted annually to reflect 95% of the average of final certified capital gains tax revenues for the prior 10 fiscal years. Currently, the cap is the prior year limit adjusted for GDP growth.
Distribution of Excess Capital Gains	Y	Y	Yes (126) Senate	The Conference report includes Senate language adjusting the distribution of excess capital gains: (i) 58.6% to the State Retiree Benefits Trust Fund; (ii) 20% to the Commonwealth Stabilization Fund; (iii) 13.6% to the Commonwealth's Pension Liability Fund; and (iv) 7.8% to the Disaster Relief and Resiliency Fund. The House budget included an alternative distribution.
Sheriffs' Financial Controls	Y	Y	Yes (112) Senate	The Conference report includes Senate language directing ANF to impose hiring and spending controls on sheriffs' offices to prevent spending in excess of budget appropriations. The Senate language also includes a sheriff fiscal oversight council within EOPSS to oversee the finances of sheriff's offices and requires sheriff's offices to submit documentation for any supplemental funding requests. The House budget included an alternative requiring sheriffs' offices to submit documentation for the need of supplemental funding prior to the legislature approving a supplemental budget.
MassHealth Dental Services	Y	Y	Yes (113) Senate	The Conference report includes Senate language authorizing MassHealth to determine the level of dental services, not required under the federal Medicaid program, to be covered by the program and the Health Safety Net and authorizing MassHealth and the HSN to impose coverage caps of not less than \$1,750 for adult dental services. The House budget included nearly identical language.
Gaming Fund Splits	Y	Y	Yes (125) House	The Conference report includes House language requiring 100 percent of gaming revenue received from category 1 gaming licenses in FY 2027 to be

				divided among certain funds – (i) 31.5% to the Gaming Local Aid Fund; (ii) 20% to the Commonwealth Transportation Fund; (iii) 20% to the Education Fund; (iv) 13% to the Gaming Economic Development Fund; (v) 5% to the Public Health Trust Fund; (vi) 4% to the Community Mitigation Fund; (vii) 2% to the Massachusetts Cultural and Performing Arts Mitigation Trust Fund; (viii) 2% to the Massachusetts Tourism Trust Fund; and (ix) 2.5% to the Race Horse Development Fund. The Senate budget included an alternative distribution.
Connector Care Pilot Extension	Y	N	Yes (92-93, 103) House	The Conference report includes House language extending the existing Connector Care pilot program, which provides coverage to those with incomes up to 500 percent of the FPL, through December 31, 2028, and authorizing the Comptroller, at the direction of ANF, to transfer to the CCTF an amount equal to the cost of the fourth year of the Connector Care program from funds attributable to the federal financial participation of the program.
Teacher Retirement Benefits	Y	N	Not included	The Conference report did not include House language, which clarified the retirement status for certain teachers now employed by EOE or DESE, and offered a one-time opportunity for certain members of the teachers’ retirement system and the Boston retirement system to participate in an alternative retirement benefit program.
COLA Base and Retiree Benefit Adjustment	Y	N	Yes (22-27, 32-38) Compromise	The Conference report includes a House proposal to use a portion of excess pension fund investment earnings to support the actuarial cost of increases to the state retiree COLA base. The bill also provides for supplemental pension benefits for retirees who meet minimum requirements for time retired and do not exceed income thresholds.
Special Education Transportation	Y	N	Yes (66-68, 110, 133) House	The Conference report requires school districts to provide detailed cost information related to out-of-district special education transportation contracts. The budget also requires DESE to create a centralized database for all out-of-district transportation providers and study the special education transportation marketplace further.
HIV Drug Coverage	Y	N	Yes (39, 72, 77, 81-83) House	The Conference report requires certain insurers, including the GIC and MassHealth, to cover HIV prevention drugs without cost sharing, prior authorization, or any other requirements that could restrict or delay access to HIV prevention medication.
Transfer to the Health Safety Net	Y	N	Yes (116-117) House	The Conference report requires the Comptroller to transfer \$37.5 million from the Commonwealth Federal Matching and Debt Reduction Fund to the Health Safety Net Trust Fund to be used to reduce

				any projected shortfall in FY 2027 and authorizes any remaining funds to be used to reduce the HSN shortfall in any other fiscal years still operating at a deficit.
Shelter Early Intervention Referrals	Y	N	Yes (70, 131) House	The Conference report requires DPH to refer any child under the age of 3 to a certified early intervention professional for evaluation within 30 days of entry into a temporary assistance shelter, domestic violence shelter, substance use and recovery shelter, or non-emergency shelter.
Budget Stress Test & Stabilization Fund Task Force	N	Y	Yes (19) Senate	The Conference report creates a task force to review funding for the Stabilization Fund and any other long-term liabilities and requires the administration to conduct an annual multi-year budget forecast that assesses the state's ability to withstand various fiscal scenarios.
Housing Production	N	Y	Yes (42-47) Senate	The Conference report makes several changes related to the expansion or alteration of buildings with pre-existing nonconformities to applicable zoning regulations and changes to the timeframe in which construction on these projects must commence, as well as the review process for variances.
Foundation Budget Review Commission (FBRC)	N	Y	Yes (64) Compromise	The Conference report establishes a new FBRC to review and make recommendations for potential changes in foundation budgets related to pre-K to grade 12. The commission is directed to hold at least four public meetings across the state and submit the first report no later than October 31, 2028. The Conference language adjusts the Commission membership from that proposed by the Senate.
Repeal of the Learnfare Requirement	N	Y	Yes (90) Senate	The Conference report repeals the "Learnfare" requirement, which cuts off cash assistance for low-income families with children who exceed allowed school absence levels. Currently, if a child between the ages of 6 and 16 whose family receives TAFDC benefits has too many unexcused absences, a family may lose a portion of their assistance.
Special Commission on Unrestricted General Government Aid	N	Y	Not included	The Conference report does not include the Senate proposal for a special commission to study the distribution of UGGA to municipalities.
Massachusetts School Building Authority (MSBA) Commission	N	Y	Not included	The Conference report does not include the Senate proposal for a commission to look at the state's MSBA program.



## Next Steps

The FY 2027 Conference Report is notable for its adherence to the fiscal framework put forward by Governor Healey’s budget. Though there were many high-level similarities between the House and Senate budgets, the Conference Committee was able to reconcile \$863 million in spending differences and negotiate 132 unique outside policy sections to send a compromise budget to Governor Healey’s desk on the first day of the new fiscal year. Ultimately, the Conference Committee built a spending plan that speaks to the state’s constrained fiscal picture amidst continued economic uncertainty and federal policy shifts.

The FY 2027 Conference Report now goes to Governor Healey’s desk for signing. The Governor will have until July 11<sup>th</sup> to sign the budget, veto or reduce spending, strike line-item language, and veto or amend policy sections. During the past three fiscal years, the Governor has vetoed an average of \$241 million in line-item spending while amending or vetoing relatively few outside policy sections.

### *Governor Healey Veto History*

	FY 2024	FY 2025	FY 2026
Line-Items Reduced	35	59	28
\$ Reduction	\$276	\$317	\$130
Sections Vetoed	1	0	0
Sections Amended	8	3	4

*\$ in millions (gross figures)*

Given that the final Conference Report budget is similar in many ways to Governor Healey’s FY 2027 initial budget proposal, it is likely that the Governor will send back minimal vetoes and amendments.

As final tax collections come in for FY 2026, the administration will also be keeping an eye on closing out the current fiscal year and ensuring that the budget remains balanced in order for state spending to get started on the right foot for FY 2027. With national uncertainty expected to persist, decisive and forward-thinking action at the state level is necessary to ensure that Massachusetts can plan ahead and continue to work towards common goals.