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MTF Bulletin

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Federal Policy Deadlines & Massachusetts: Dates and Decision Points to Watch

Over the last 20 months, MTF has documented the potential and actual effects of Trump administration and congressional action on Massachusetts as the state-federal partnership has changed dramatically. From federal actions on immigration, research and higher education, to the tax impacts of the One Big Beautiful Bill Act (OB3), federal policies have directly affected Massachusetts residents, employers, and the Commonwealth at large.

This brief focuses on four upcoming federal policy deadlines that will require state-level executive and legislative action as well as a coordinated strategy with the non-profit and philanthropic sectors:

Policy	Description	Key Date
Medicaid work requirements	Requirement for affected non-disabled, childless Medicaid recipients to demonstrate 80 hours/month of community engagement	January, 2027
SNAP state cost share	Imposition of a state cost share for SNAP if payment error rates exceed 6 percent	October, 2027
Supportive housing restrictions	Implementation of new grant restrictions impacting amounts available for supportive housing	Early 2027
Federal Scholarship Tax Credit	Launch of new 100 percent tax credit for eligible donations to K-12 scholarships	January, 2027

Each of these policies are scheduled to be implemented over the next year and the state's response to each will have a profound impact on Massachusetts. It is critical that Massachusetts policymakers understand the policy changes headed their way and develop a thoughtful, sustainable and coordinated response.

This brief summarizes each of these federal policy changes and their potential impact. The brief then identifies principles for a thoughtful state response.

Understanding Upcoming Policy Changes

In order to develop a state policy response, it is first important to understand the federal policy changes slated to go into effect, as well as their potential impact on state finances, state programs and residents.

Medicaid Work & Education Requirements

Overview: [As MTF wrote last year](#), OB3 imposed a new requirement that a large segment of Medicaid-eligible adults demonstrate 80 hours of eligible community engagement per month to retain their healthcare coverage. Community engagement is defined as employment, community service, eligible education programs and eligible work programs. Generally, the requirement applies to populations made eligible for Medicaid through the Affordable Care Act – non-disabled adults without young children who are not eligible for Medicare.

The imposition of Medicaid work and education requirements was the second largest savings initiative in OB3. The Congressional Budget Office estimated that the implementation of work and education requirements would reduce federal Medicaid spending by \$280 billion over a six-year period.

When OB3 was passed, there was speculation that federal regulations might make it easier for states to exempt members based on factors like disability status. However, when federal rules materialized in June, they were stricter than anticipated. Most notably, the Center for Medicare and Medicaid Services (CMS) tightly limited medical frailty exemptions. The interim CMS rule requires that states not only demonstrate that an individual meets the definition of medically frail, but also that the acuity of their frailty impairs the member's ability to meet community engagement requirements. This expansion increases compliance challenges for states and increases the likelihood that a given member will fail to meet one of the community engagement requirements necessary to maintain enrollment.

Timing: The work and education requirements are scheduled to go into effect in January of 2027, halfway through state Fiscal Year (FY) 2027. The state recently began notifying impacted enrollees and enrollees will need to demonstrate compliance when they apply for MassHealth membership or renewal starting in 2027.

In 2027, states will have greater autonomy to allow clients to self-attest to compliance with the community engagement requirement. In 2028, self-attestation will not be permissible except in limited cases.

Impact on public programs and public finance: MTF estimated that work requirements will reduce MassHealth enrollment by between 100,000 and 200,000 members a year. This estimate did not make assumptions for any state actions to reduce the impacts of the policy by helping members meet community engagement requirements.

The vast majority of MassHealth members affected by the work and education requirement policy are enrolled in Medicaid expansion categories – enrollment categories for which the federal government reimburses 90 percent of state costs.

Members unable to demonstrate compliance with the new standard will lose MassHealth coverage, which will result in a direct budget savings; however, given that 90 percent of the cost of coverage for most impacted members is currently supported by federal reimbursement, the state savings will be relatively small. According to MTF's analysis, an enrollment loss of 100,000 residents would reduce total MassHealth spending by \$800 million, but the state savings would be \$160 million or less. If enrollment loss is 200,000, those numbers would double.

Impact on residents: Adding hundreds of thousands of residents to the state's uninsured population will worsen health outcomes. Affected individuals will have less consistent access to care and the care needs most likely to be unmet will be preventative services that reduce the likelihood of larger and more expensive health care issues.

Other notable impacts: The consequences of a major loss in MassHealth coverage for low-income, adults without young children will depend on the acuity and the alternate coverage options for those impacted, but it will likely have two major negative impacts on the health care sector. First, the increase in the uninsured population will likely increase demand for Health Safety Net (HSN) reimbursed services. As covered in a recent MTF Brief, the HSN has been operating under a growing structural deficit in recent years, meaning providers do not receive full reimbursement. This policy change will exacerbate that problem. In addition, some individuals ineligible for Medicaid due to noncompliance with eligibility criteria (i.e. not meeting work and education requirements) are not eligible for HSN reimbursement. Therefore, a sharp uptick in demand from uninsured residents could put less financially secure providers on the brink of closure without costly state action.

SNAP Cost Share and Eligibility Changes

Overview: The Supplemental Nutrition Assistance Program (SNAP) provides more than \$2.5 billion in food assistance benefits to about one million Massachusetts residents each year. Aside from a requirement that states cover 50 percent of program administration costs, SNAP has historically been entirely federally funded.

OB3 included major changes to the SNAP funding model. In addition to doubling the state requirement for administrative costs, the bill required participants to meet heightened compliance

requirements. The bill also required that states share in benefit costs, unless states keep their SNAP error rate below 6 percent. If error rates are 6 percent or more, state cost sharing would be between 5 and 15 percent, with larger cost share requirements for higher error rates. In 2025, 9 states had error rates below 6 percent. The payment error rate is a calculation made each summer by the federal government based on a sampling of SNAP cases in a state. A case is considered an error if a member receives more or less in benefits in a given month than retrospective analysis indicates should have been the case.

In addition to state cost sharing, SNAP recipients must also meet heightened eligibility requirements – some of which were included in OB3 and some of which are the result of the end of COVID-era policies. Requirements include increased documentation, the need for interviews for application and renewal, and tighter restrictions on waivers or exemptions for work requirements.

Timing: Increased paperwork and interview requirements for families applying for or renewing SNAP applications have already gone into effect, along with fewer state options to waive work requirements.

In October of 2026, states will be required to cover 75 percent of program administrative costs, up from 50 percent.

The cost sharing requirement is scheduled to go into effect at the start of federal Fiscal Year (FFY) 2028 – October of 2027. In the first year of implementation, states will be able to use either their 2026 or 2025 error rate. It is possible that the SNAP cost share requirement will be delayed. The Senate version of the Farm Bill currently working through Congress would push the effective date back one year. However, the bill would also increase the maximum cost share requirement from 15 percent to 20 percent.

Impact on public programs and public finance: Tighter federal eligibility requirements will affect the state's SNAP program by reducing the number of residents receiving benefits. This impact is already apparent in the data – between June of 2025 and June of 2026 the number of SNAP recipients in Massachusetts decreased by 181,582 (16.8 percent). This decrease, if sustained, could increase demand for other food security programs supported with state funds.

OB3 changes to the state/federal SNAP cost share could have a major impact on the state budget. The first of these impacts is relatively minor: in FY 2027, Massachusetts will need to cover 75 percent of SNAP administration costs – likely shifting between \$2 and \$3 million of previously federal costs to the state.

A far greater state fiscal impact will come if the state's payment error rate in 2025 or 2026 exceeds 6 percent. Under OB3, payment error rates over 6 percent will bring about state benefit cost share requirements of between 5 and 15 percent beginning in FFY 2028.

In 2025, Massachusetts' payment error rate was 12.49 percent. If that error rate stays above 10 percent in 2026, the state will be required to contribute 15 percent of total benefit costs in FFY 2028 – approximately \$300 million dollars in the first year, and \$400 million on an annualized basis.

The imposition of a 15 percent cost share requirement for SNAP in Massachusetts will not necessarily affect the SNAP program, but will instead have a major impact on the larger state budget. In order for the state to maintain the SNAP program, it will need to find \$400 million in annualized resources. To put this in perspective, the FY 2027 budget assumed non-tax revenues would grow by \$986 million, with \$692 million of that available for budget spending. If the state had been required to cover 15 percent of SNAP costs in FY 2027, it would have accounted for 56 percent of all available non-surtax revenue growth.

Impact on residents: OB3's SNAP changes make it more challenging for residents to qualify for the program and maintain eligibility, increasing the likelihood of residents experiencing food insecurity. As noted earlier, over the last year the number of benefit recipients has decreased by more than 100,000. It is likely that some part of this decline is due to the unwinding of pandemic-era program policies that eased eligibility redeterminations. It is also possible that stricter compliance requirements and an increased focus on error rates are reducing instances of benefits going to ineligible recipients. However, a share of those losing eligibility are likely very low-wage families with barriers to consistent food access. Increasing barriers to SNAP will exacerbate food insecurity.

Other notable impacts: Shifting hundreds of millions of dollars in federal SNAP costs to the state will add pressure to the state's budget challenges, making pushes for new revenue or programmatic cuts in other areas more likely. At the same time, an uptick in low-income families without access to consistent food benefits will increase strain on the state's food banks and food pantry system and the non-profit sector more generally.

Federal Scholarship Tax Credit (FSTC) Program

Overview: OB3 included a new tax credit designed to incentivize philanthropic contributions to K-12 education scholarships for school attendance and academic support programs. Through the FSTC, tax filers are eligible to receive a dollar-for-dollar credit of up to \$1,700 for contributions to certified scholarship granting organizations (SGOs).

Basically, this allows anyone with a federal tax liability of at least \$1,700 to donate that amount for free to an approved SGO. Organizations receiving donations must use the funds to provide scholarships for education services at public or private schools. Scholarships can be used to cover tuition and fees, provide additional academic services, or cover other costs associated with attendance. Families with incomes up to 300 percent of the area median income would be eligible to receive FSTC supported scholarships.

The program's structure is unique: Governors must choose whether or not a state will participate in a given tax year and states are responsible for providing the Internal Revenue Service (IRS) with a list of SGOs in the state that may receive credit-eligible donations.

Timing: The tax credit launches in 2027 and so states must elect to participate in the first year by January 1st. As part of the election, states would provide the IRS with a list of SGOs in the state eligible to receive credit eligible donations.

As of August, 31 states have elected to participate. Governors in 4 states have said the state will not participate, while legislation to require participation has failed in two other states. Governor Healey has yet to announce whether Massachusetts will participate.

Impact on public programs and public finance: A well-designed FSTC could provide significant benefits for public schools and public school students. SGOs can be set up to support public schools to cover student costs for extracurricular academic supports, sports fees, AP or SAT exam costs, or a range of other services. Given the range of supports that can be supported by FSTC scholarships, the potential benefit to public school students could be immense.

The public school benefit of a Massachusetts FSTC will depend on the ability of school districts and the state to set up SGOs that can effectively collect and distribute resources to eligible students. The state can play a vital role in handling administrative and compliance responsibilities in the establishment of an umbrella SGO that could direct scholarships in an equitable manner to public school students around the state.

In the 2025-2026 school year, the statewide foundation enrollment of public school students was 890,681. At the same time, 36.7 percent of Massachusetts tax filers had a federal tax liability of at least \$1,700. If we assume that 10 percent of public school families owe \$1,700 in annual taxes and choose to take the full FSTC credit and direct it to a public school SGO, it would provide more than \$150 million in new resources for public school students.

One of the major benefits of the FSTC from a state public finance perspective is that participation comes at no cost in terms of lost tax revenue. The tax benefit accrued to filers is borne solely by the federal government and does not require any form of state match. This provides an opportunity for Massachusetts taxpayers and students to receive a major benefit without a financial loss for the state.

Impact on residents: Massachusetts participation in the FSTC will enable tax filers with eligible liabilities to make cost free donations to designated education organizations. Those donations will in turn benefit Massachusetts public and private school students who receive scholarship support.

Other impacts: One of the primary concerns raised by opponents of the FSTC is that the credit is intended as a quasi-voucher program to enable private and parochial schools to offer more

generous student scholarships and siphon students away from the public school system. While the FSTC is undoubtedly a benefit to non-public schools, it does not inherently advantage one type of school over another. Given the high quality of public schools in Massachusetts and the value families place in those schools, if the correct structures are put in place, both public and non-public schools in Massachusetts should be able to benefit from unlocking millions in educational scholarship donations that would not otherwise occur.

Supportive Housing Continuum of Care

Overview: In November of 2025, the Trump administration announced plans to change rules governing the Continuum of Care (CoC) program administered by the Department of Housing and Urban Development (HUD). The initial proposed rules sharply decreased the share of CoC awards that could be spent on supportive housing – from 90 percent of the total award to 30 percent. Following court setbacks, HUD has rewritten the grant application to reduce base funding for providers from 90 percent of prior awards to 60 percent of prior awards. Further, non-supportive housing uses will be given priority for allocation of non-base funding. Practically, this reduces amounts available for supportive housing from 90 percent of grant awards to 60 percent.

Supportive housing is the term used for permanent housing, accompanied by other health and counseling services to provide stable shelter for those likely to experience long-term homelessness absent additional supports. Populations potentially eligible for and largely served by supportive housing include the elderly, disabled, those with diagnosed mental health issues, veterans, and substance users. Supportive housing is differentiated from other homelessness prevention and rehousing supports which are generally designed to assist those dealing with household economic shocks or other life events that could lead to temporary homelessness.

Massachusetts is home to 10 CoC entities, each operating in different regions of the state. These entities provide a mix of supportive housing and other programs designed to prevent homelessness or help families that have been homeless secure permanent housing. However, CoCs in Massachusetts have generally maximized their use of federal funds for supportive housing programs, because those programs are expensive, uniquely effective for high-need populations, and because ongoing state programs focus more on non-supportive housing needs.

In recent years, total federal awards to Massachusetts CoCs have been around \$140 million, meaning that up to \$126 million could be spent on supportive housing with the 90 percent cap. Reducing the cap to 60 percent would reduce amounts available for supportive housing spending by \$42 million.

Implementation of the new rule was delayed and based on court rulings, HUD has adjusted the grant's Notice of Funding Opportunity (NOFO). The current HUD guidelines are still under appeal, but in the meantime CoC grant applications were due on September 30th.

Timing: CoC applications under the new guidelines were due on September 30th. Grants are slated to go out to CoCs in December and so the impacts on existing supportive housing units could begin at the start of 2027. However, delays in the process due to litigation could affect timing of awards.

Impact on public programs and public finance: Federal changes to supportive housing will not directly reduce state budget spending; CoC funds do not flow through the operating budget. However, the state has relied on federal CoC dollars for supportive housing, allowing the state to focus its resources on homelessness diversion and rehousing for families experiencing temporary homelessness. Because supportive housing, by definition, provides long-term assistance for difficult to house populations, a reduction in federal funds will place pressure on state and local governments, as well as the non-profit and philanthropic sectors to replace lost funds.

The final gap in federal funds is not yet known, but in calendar year 2027 it will likely be around \$40 million. To put this in perspective, the appropriation for HomeBASE, one of the state's primary programs for helping families secure housing after a stay in a shelter is \$82.3 million in the FY 2027 budget. For the state to replace the loss in federal supportive housing funds it would essentially require the creation of a new program on par with HomeBASE.

Impact on residents: Cuts to supportive housing will impact the most vulnerable residents of the Commonwealth. Supportive housing is a tool to provide stable housing to those in the most need of consistent health care, behavioral health, and caseworker services. If an alternate source of funds is not available, hundreds of existing supportive housing placements could be lost.

Other notable impacts: The federal CoC change will have a broader impact on the housing and homelessness service system. CoCs in Massachusetts are non-profit organizations that provide a range of services. A cut disproportionately affecting one aspect of a CoC's work, will necessarily affect organizations' ability to maintain its efforts in other areas. As noted above, HUD is the primary source of support for the neediest clients for many CoCs. Adjusting to that funding change will disrupt and delay other services and likely reduce overall service efficiency.

Decision Points in Massachusetts

Each of the policies described above are slated to go into effect or occur over the next year and are beyond the control of Massachusetts policymakers. However, the impacts of those policies will be defined by the way in which Massachusetts prepares for and adapts to the changes.

Several principles are essential to developing a response that mitigates harm to vulnerable residents, maximizes public finance flexibility, and best positions the state for whatever federal policies come next.

Prioritize Intake Processing

One of the primary challenges the state is facing is that of volume. Medicaid and SNAP enrollment changes affect hundreds of thousands of Massachusetts residents who will need guidance and assistance to understand and meet new requirements. Efficiently helping those residents results in the best outcome for families and adults seeking to maintain healthcare coverage and food assistance. It is also in the best interest of the state to keep SNAP payment error rates down and limit the number of residents losing insurance or seeking healthcare through the HSN.

Short-term spikes in demand for state provided customer service are not new, but the state's history of success is spotty. Recent experiences with SNAP and Unemployment Insurance call lines show that the combination of a surge in calls along with new system or eligibility requirements to navigate increases wait times, dropped calls, and poor outcomes.

It is critical that the state provide flexible resources to increase client support capacity that can be deployed for Medicaid, SNAP, or the next client service program facing major changes. Massachusetts needs to create an ongoing reserve of resources that can be used to contract for workers or technology that can help the state triage questions, reduce errors, and maximize continued federal funding for health care and food security.

Strategic Resource Redirection and Resiliency

Massachusetts has the ability to mitigate the impacts of Medicaid and supportive housing changes by strategically redirecting resources in the state budget. In the case of Medicaid, reducing MassHealth enrollment will reduce state spending. Those savings will be relatively small, as most of those losing coverage are eligible for 90 percent federal reimbursement, but if total enrollment declines by 200,000, state savings will be at least \$200 million.

The FY 2028 budget should redirect a share of estimated MassHealth savings to the Health Safety Net. If the state committed \$135 million in expected savings to the HSN it would go a long way to close the fund's structural deficit, help support care for those who are losing insurance, and right-size the state's financial commitment to the fund for the first time in 20 years.

In the case of supportive housing, the federal change will not provide any savings for the state to redirect. However, the federal change involves requiring a larger share of CoC grants to be used for transitional housing supports – supports that state programs currently fund. The state can adjust its program mix to focus more on supportive housing and less on transitional supports to offset for the federal changes and limit disruption.

In addition to redirecting resources, the state must implement a policy to improve funding resiliency for programs in which state programs historically complement federal programs. While the disruption of the second Trump administration is unique, over the last decade the federal government has become a far more mercurial partner, with major new spending initiatives (such as the Bipartisan Infrastructure Law) and dramatic federal cuts. Massachusetts needs to be in a

position to take advantage of time limited opportunities for increased federal partnership, while enabling flexibility for state program funding to fill fast emerging federal gaps.

Partner Coordination

Each of the federal changes highlighted demonstrates the importance of coordination between impacted state agencies, local government, but also other partners including higher education as well as the non-profit and philanthropic sectors.

- Higher education - In the case of the Medicaid community engagement requirement, MassHealth clients can comply through educational coursework and volunteer work, as well as through employment. The state's community college, state university and private higher education system are all important partners in knowing which MassHealth clients are taking eligible coursework and helping those interested in pursuing a degree make those connections.
- Non-profit – In the case of both Medicaid and SNAP, the state is home to non-profits that have direct experience providing initial eligibility screenings and helping residents navigate the application and renewal processes. The state worked with organizations like Health Care for All to great effect when Medicaid eligibility redeterminations was restarted at the end of the federal COVID-19 Public Health Emergency. Working in partnership with qualified non-profits to educate residents on changes and help with the surge in client service needs should be a central element of the state's approach to federal changes. The state has taken some steps in this area – providing \$10 million for MassHealth to work with Health Care for All and other nonprofits to increase awareness of eligibility changes and ensure that those who can meet new requirements maintain coverage.
- Philanthropy – Federal funding challenges, especially in the area of supportive housing provide a unique opportunity to better harmonize state, local, and philanthropic sources of support. Funding streams for homelessness and housing stabilization services in Massachusetts are a mix of federal, state, local, and philanthropic dollars. By convening and coordinating a discussion around how current resources can be restructured to account for shifting federal priorities, the state can minimize program disruption in the near-term and create a more thoughtful process for funding going forward.

Coordination is also essential to a strong state Federal Scholarship Tax Credit program. As noted earlier, the FSTC could provide a new avenue for millions of dollars in support for public school students. In order for that potential to be realized, the Department of Elementary and Secondary Education needs to work with school districts to ensure that Scholarship Granting Organizations are set up and efficiently coordinated and administered.

Take Advantage of Opportunities as they Arise

Federal changes to Medicaid, SNAP, and supportive housing will negatively affect the state and vulnerable residents. The state strategy to respond to these changes should prioritize limiting loss of federal funds, providing alternatives for those affected, and maximizing state public finance flexibility.

The FSTC, on the other hand, provides an opportunity for Massachusetts to redirect resources from federal tax liabilities back to public schools and students in Massachusetts. Participating in the credit enables tax filers, students, and schools to benefit with no financial liability for the state.

The concern that the FSTC will not provide the same level of benefit to public schools that private schools could enjoy should be taken seriously. That concern is best addressed through the creation of public school supported SGOs which have administrative and operational support from the state linked to a coordinated public awareness campaign. Failure to participate in the FSTC simply directs Massachusetts resources to the federal coffers as opposed to students in the state.