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MTF Bulletin

April 10, 2024

House Ways & Means Fiscal Year 2025 Budget

Earlier today, the Fiscal Year (FY) 2025 budget development process officially moved to the Legislature with the release of the House Committee on Ways and Means (HWM) budget proposal. About two months after Governor Healey filed her administration’s spending plan, the \$57.98 billion HWM budget makes notable investments in transportation, K-12 education, and housing.

The HWM budget spends less than the Governor by \$157.6 million (0.3 percent), and more than the FY 2024 General Appropriations Act (GAA) by \$1.91 billion (3.4 percent). Similar to the administration’s proposal, the HWM budget relies on \$1.19 billion in one-time resources and new ongoing revenue-generating initiatives to support spending over and above the current fiscal year.

House lawmakers have until 5 p.m. on Friday to file amendments to the HWM budget, and will begin their budget debate on April 24th.

HWM Budget Overview

The HWM budget proposal includes \$65.49 billion in total spending, including \$57.98 billion for line-item appropriations and \$7.5 billion in statutorily required transfers and other off-budget spending. Total line-item spending represents a \$1.9 billion (3.4 percent) increase over the FY 2024 GAA, and a \$157.6 million (0.3 percent) decrease compared to the Governor’s budget.

House Ways and Means FY 2025 Spending Overview

	FY 2024 GAA	FY 2025 Governor	FY 2025 HWM	\$ vs. FY 2024 GAA	% vs. FY 2024 GAA
Line-Item Spending	\$54,558.1	\$56,152.2	\$55,994.6	\$1,436.5	2.6%
Surtax Spending	\$1,000.0	\$1,300.0	\$1,300.0	\$300.0	30.0%
Medical Asst. Trust Fund	\$505.0	\$682.2	\$682.2	\$177.2	35.1%
Total Line-Item Spending	\$56,063.1	\$58,134.4	\$57,976.8	\$1,913.7	3.4%
Pre-Budget Transfers	\$6,898.9	\$7,297.0	\$7,297.0	\$398.1	5.8%
Other Off-Budget	\$0.0	\$200.0	\$214.0	\$214.0	NA
Total Spend	\$62,962.0	\$65,631.4	\$65,487.8	\$2,525.8	4.2%

\$ in millions

The HWM budget is supported by \$65.67 billion in total revenue, the majority of which comes from the \$40.2 billion consensus tax revenue figure agreed to by the Healey administration, House, and Senate in January. The House’s spending plan also relies on \$1.3 billion in revenue generated by the 4 percent surtax on income over \$1 million, and \$23.6 billion in federal reimbursements and departmental revenues.

Adopting the approach used by the Governor, the HWM budget relies on \$1.19 billion in one-time and ongoing revenue initiatives to support spending. This represents a slight decrease compared to the \$1.25 billion included by the administration to bolster spending in FY 2025.

House Ways and Means FY 2024 Revenue Overview

	FY 2024 GAA	FY 2025 Governor	FY 2025 HWM	\$ vs. FY 2024 GAA	% v. FY 2024 GAA
Total Tax Revenue	\$40,296.0	\$41,548.7	\$41,548.7	\$1,252.7	3.1%
<i>Consensus Tax Agreement</i>	\$40,410.0	\$40,202.0	\$40,202.0	-\$208.0	-0.5%
<i>Cap Gains Diversion</i>	-\$584.0	-\$138.4	-\$138.4	\$445.7	-76.3%
<i>Tax Settlements</i>	\$50.0	\$50.0	\$50.0	\$0.0	0.0%
<i>Tax Initiatives</i>	-\$580.0	\$135.0	\$135.0	\$715.0	-123.3%
<i>4% Income Surtax</i>	\$1,000.0	\$1,300.0	\$1,300.0	\$300.0	30.0%
Federal Revenue	\$13,735.3	\$14,301.5	\$14,326.5	\$591.2	4.3%
Departmental Revenue & Transfers	\$8,687.1	\$9,252.2	\$9,290.9	\$603.8	7.0%
Trust Funds Used	\$437.0	\$565.0	\$500.0	\$63.0	14.4%
Add'l Stabilization Fund Transfer	-\$146.3	\$0.0	\$0.0		
Total Revenue	\$63,009.1	\$65,667.4	\$65,666.1	\$2,656.9	4.2%

\$ in millions

In FY 2025, the HWM budget assumes that the state’s Stabilization Fund will begin the fiscal year with a balance of \$8.96 billion and grow by a further \$96.8 million, ending the year with a balance of \$9.05 billion.

FY 2025 Stabilization Fund Estimate

	Governor	HWM
FY 2024 Beginning Balance	\$8,061.3	\$8,061.3
<i>Planned Deposits</i>	\$895.0	\$895.0
FY 2024 Ending Balance	\$8,956.3	\$8,956.3
<i>FY 2025 Capital Gains Deposit</i>	\$96.8	\$96.8
FY 2025 Ending Balance	\$9,053.1	\$9,053.1

\$ in millions

The HWM budget reflects a planned deposit into the Stabilization Fund of \$96.8 million, equal to the Governor. This deposit reflects:

- **Excess Capital Gains Revenue for Operating Spending.** The HWM budget relies on \$375 million in above-threshold capital gains revenue to support operating budget spending in FY 2025, equal to the amount used in the Governor’s budget. Similarly, the House includes outside section language that states that these resources will only be used if they are required to achieve a balanced budget for FY 2025.
- **Distribution of Excess Capital Gains Revenue.** After accounting for the \$375 million in excess capital gains revenue that will be used to support the operating budget in FY 2025, the HWM budget distributes the remaining \$138 million in assumed excess capital gains collections towards the Stabilization Fund and other reserves. Under the House’s proposal, the distribution of above-threshold capital gains in FY 2025 would be: \$97 million into the Stabilization Fund, \$14 million

into the Pension Fund, and \$14 million towards other post-employment benefits. The HWM budget also transfers \$14 million from the General Fund towards a new Disaster and Resiliency Trust Fund, and it appears that this will also be covered by remaining excess capital gains revenue.

As MTF has previously highlighted, FY 2025 will be a year of fiscal transition for the state. Given the historically high balance of the Stabilization Fund, temporarily diverting a portion of above-threshold capital gains collections towards the operating budget is defensible. However, policymakers should remain aware that the repeated diversion of revenues away from the Stabilization Fund carries risk. In 2017, after multiple successive budgets suspended or reduced automatic deposits into the Stabilization Fund, the state's bond rating was downgraded for the first time in 30 years.

MTF Key Question: Does the House adopt the Governor's proposal to divert excess capital gains revenue towards the operating budget?

Yes. The HWM budget agrees with the Governor's proposal to use \$375 million in above-threshold capital gains tax revenue to support operating budget spending in FY 2025. Unlike the Governor, however, the HWM budget does not permanently adjust the distribution of above-threshold capital gains revenue towards the Stabilization Fund and other liabilities.

HWM Budget – 5 Things to Know

1. The HWM budget includes \$57.98 billion in total on-budget spending, a \$157.6 million (0.3 percent) decrease compared to the Governor and a \$1.9 billion (3.4 percent) increase over the FY 2024 GAA. Excluding surtax-supported spending and a transfer to the Medical Assistance Trust Fund (MATF), spending totals \$55.99 billion, an increase of \$1.4 billion (2.6 percent) over FY 2024. As recommended by MTF, the HWM budget reflects a rate of spending growth that is in line with expected revenues, which are estimated to increase by 3.5 percent over FY 2024 after adjusting for the fiscal impacts of tax relief.
2. The House's spending plan utilizes \$1.3 billion in new income surtax revenue to support investments across the education and transportation sectors. Notable surtax spending proposals include:
 - \$190 million to fully fund Universal School Meals.
 - \$270 million for early education and care, including \$175 million to support the C3 Childcare Operational Grants program.
 - \$250 million for a transfer to the Commonwealth Transportation Fund, unlocking additional borrowing capacity for transportation-related capital projects and allowing for increased operational support at MassDOT and the MBTA.
 - \$240 million for a series of initiatives at the MBTA, including \$75 million for capital investments, \$40 million for an MBTA Workforce Academy, and \$35 million for climate adaptation and resiliency improvements.

3. The House adopts all 4 of the Governor’s revenue-generating proposals, though makes several noteworthy changes. In total, these initiatives provide \$315 million in new revenue to support spending in FY 2025, a total slightly higher than what was assumed in the Governor’s budget.
 - \$100 million from the creation of an online lottery;
 - \$80 million through the re-direction of certain gaming revenues onto the state budget;
 - \$75 million from the adoption of a tax amnesty program; and
 - \$60 million generated by several tax fairness and modernization initiatives.

4. In FY 2025, the HWM budget relies on a total of \$1.03 billion in one-time revenues to support spending, including \$875 million in one-time trust fund and above-threshold capital gains revenues to support new and expanded spending initiatives.
 - \$300 million from the Student Opportunity Act Investment Fund;
 - \$200 million from the High-Quality Early Education and Care Trust Fund; and
 - \$375 million in above-threshold capital gains revenue.

5. HWM includes 109 outside policy sections, 3 less than the number proposed by the Governor. Of the sections in the HWM budget, more than 80 of them correspond to a proposal originally put forward by the Healey administration. The most notable area of policy in the HWM budget is early education. In conjunction with line-item language, these include provisions to place strict limits on how childcare operational grants can be spent over the next five years. Other early education sections create early educator scholarship and loan forgiveness programs, increase the number of children that may be served by family child care providers, and bolster data collection requirements.

FY 2025 HWM Budget Resources

The HWM budget proposal relies on \$65.67 billion in total state revenues. To assess the resources used by the House to support spending in FY 2025, and compare them to the Governor’s budget, this brief organizes them into five categories: (1) baseline tax revenues, (2) income surtax revenues, (3) revenue initiatives, (4) non-tax revenues, and (5) trust fund resources.

Baseline Tax Revenues

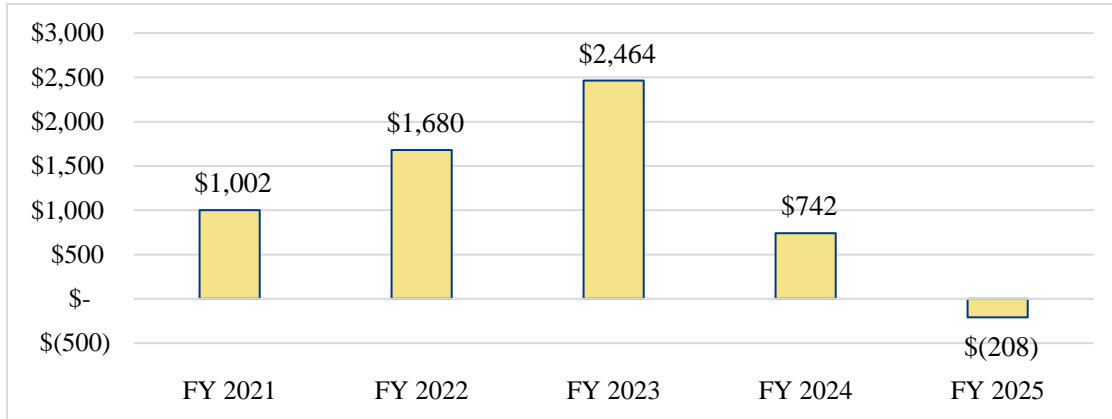
The revenue foundation for the HWM budget is the \$40.2 billion consensus tax revenue estimate agreed to by administration and legislative budget leaders in January. While this figure represents \$792 million (2 percent) growth over the FY 2024 revised revenue benchmark of \$39.41 billion, it represents \$1.37 billion (3.5 percent) growth when compared to expected tax revenue collections of \$38.83 billion after taking into account the fiscal impacts of tax relief.

While tax revenue collections are expected to increase year over year, it is important to note that policymakers are building their FY 2025 spending plans using fewer tax revenues than were available when they were developing the FY 2024 GAA.

To illustrate this challenge, the graph below compares the consensus tax revenue estimate for the upcoming fiscal year to the tax revenue assumption that was used to build the prior year’s GAA. For example, as

budget writers were developing the FY 2023 GAA, they had access to nearly \$2.5 billion in new tax revenues compared to the figure they used to build the FY 2022 budget. In FY 2025, the consensus revenue figure is actually \$208 million less than the revenue base used to build the FY 2024 GAA.

Consensus Tax Revenue Estimate vs. Tax Revenue Assumption for Current Year GAA



\$ in millions

The consensus tax revenue estimate also includes four “pre-budget” transfers to the Workforce Training Trust Fund, the Pension Fund, the MBTA, and the School Building Authority (SBA) totaling \$7.3 billion, not including the transfer of excess capital gains revenue into the Stabilization Fund and other reserves.

FY 2025 Consensus Tax Revenues for Budget

	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	HWM v. FY 2024
Consensus Tax Revenues	\$40,410	\$40,202	\$40,202	-\$208
<i>Workforce Training Trust Fund</i>	-\$27	-\$27	-\$27	\$0
<i>School Building Authority</i>	-\$1,304	-\$1,305	-\$1,305	-\$2
<i>MBTA</i>	-\$1,464	-\$1,465	-\$1,465	-\$2
<i>Pension Fund</i>	-\$4,105	-\$4,500	-\$4,500	-\$395
<i>Capital Gains Transfer</i>	-\$583	-\$138	-\$138	\$445
Pre-Budget Transfers (excl. Cap. Gains)	-\$6,899	-\$7,298	-\$7,298	-\$399
CR Taxes Remaining for Budget	\$32,928	\$32,766	\$32,766	-\$162

\$ in millions

After accounting for these pre-budget transfers, as well as the transfer of excess capital gains tax revenue, the HWM budget relies on \$32.77 billion in consensus tax revenues for state budget spending, level with the Governor’s budget and \$162 million less than the consensus tax revenue base available to support spending in FY 2024.

Income Surtax Revenue

The HWM budget relies on \$1.3 billion in revenue generated by the 4 percent surtax on income over \$1 million, consistent with the consensus revenue agreement and the Governor’s budget. As statutorily required, these resources are divided between education (\$695 million, 53.5 percent) and transportation

(\$605 million, 46.5 percent). While not evenly divided, as recommended by MTF, HWM gets closer to a balanced split by upping transportation funding by \$55 million compared to the Governor.

HWM's Proposed Use of Income Surtax Revenue

	FY 2025 Governor	FY 2025 HWM	% of Total (HWM)
Education	\$750	\$695	53.5%
<i>Early Education</i>	\$311	\$270	20.8%
<i>K-12 Education</i>	\$210	\$267	20.5%
<i>Higher Education</i>	\$229	\$158	12.2%
Transportation	\$550	\$605	46.5%
<i>MBTA</i>	\$172	\$235	18.1%
<i>MassDOT</i>	\$179	\$275	21.2%
<i>RTAs</i>	\$75	\$90	6.9%
<i>Local/Pilot Program</i>	\$124	\$5	0.4%
Total Investments	\$1,300	\$1,300	

\$ in millions

Like the administration’s proposal, the HWM plan for surtax spending in FY 2025 has two clear themes: maintaining recent new programs and beginning to develop an approach to using surtax revenues in support of longer-term capital needs.

- **Maintaining recent program expansions.** The HWM budget deploys income surtax revenues in support of several new programs that have been added to the operating budget in recent years, including: Universal School Meals (\$190 million), Childcare Stabilization Grants (\$175 million), and MassReconnect (\$24 million).
- **Supporting longer-term capital needs.** The HWM budget adopts the Governor’s proposal to annually dedicate \$250 million of surtax revenues towards the Commonwealth Transportation Fund, allowing the state to increase its borrowing capacity by up to \$1.1 billion over the next five years for transportation-related capital projects.

Additional details on all of the income surtax spending included in the HWM budget are included in the specific spending sections of the report.

MTF Key Question: Does the House divide surtax funds evenly between education and transportation investments?

No. The HWM budget dedicates \$695 million of surtax revenues towards education (53.5 percent) and \$605 million towards transportation (46.5 percent), a more even distribution compared to the Governor’s budget which targeted approximately 60 percent of surtax spending towards education and 40 percent towards transportation. However, MTF supports this more equitable approach towards surtax investments.

Revenue Initiatives

To support new and expanded spending initiatives in FY 2025, despite limited tax revenue growth, the HWM budget includes the four one-time and ongoing revenue initiatives that were proposed by the Healey administration, though the specific details differ. Collectively, they are expected to increase tax and other collections by \$315 million in FY 2025.

HWM Revenue Initiatives

	One-Time v. Ongoing	FY 2025 - Governor	FY 2025 - HWM
Tax Amnesty Program	One-Time	\$75	\$75
Gaming Fund Revenues	One-Time	\$100	\$80
Online Lottery	Ongoing	\$75	\$100
Tax Modernization	Ongoing	\$60	\$60
Total Resources		\$310	\$315

\$ in millions

- Tax Amnesty Program** (\$75 million) – The HWM budget includes the Healey administration’s proposal to institute a tax amnesty program in FY 2025 and similarly assumes that it will generate \$75 million in one-time revenues. The HWM language, which is essentially identical to the administration’s proposal, grants the Department of Revenue the authority to determine the scope of the program; however, outside section language dictates that it will run for a period of 60-days and apply to returns due within the last 4 years. The last tax amnesty program took place in FY 2016, and generated approximately \$137 million in revenue.
- Online Lottery** (\$100 million) – For the second year in a row, the House’s spending plan includes a proposal to create an online lottery, which they expect to generate \$100 million in ongoing revenue for the state. This year’s proposal closely mirrors what was included in the Governor’s budget; however, HWM expects that the program will generate a larger amount of revenue than was assumed by the administration and deposits said revenues into a new Early Education and Care Operational Grant Fund. It is unclear what HWM and administration’s budgets assume for the implementation timeline for an online lottery.
- Tax Fairness & Modernization** (\$60 million) – The HWM budget also reflects two recommendations from the Tax Expenditure Review Commission and several tax enforcement initiatives at DOR, generating \$60 million in new ongoing revenues to support spending. These policy changes were originally proposed by the Healey administration and include eliminating the sales tax exemption for the publications of non-profit entities, repealing the income deduction of interest and dividends earned on savings accounts, and other modernizations.
- Gaming Fund Revenues** (\$79.7 million) – The House also adopts the Healey administration’s recommendation to temporarily redistribute the collection of certain gaming revenues, though makes minor adjustments to the specific reallocation of those revenues, providing \$79.7 million in one-time revenue for FY 2025. The Governor’s proposal would have provided \$100 million to support spending in FY 2025.

Non-Tax Revenues

The HWM budget is supported by \$23.62 billion in non-tax revenues.

Departmental & Federal Revenue

In addition to revenue generated from taxes and revenue initiatives, the state budget also relies upon hundreds of individual revenue sources related to federal grants and departmental operations. The most notable non-tax revenue sources included in the HWM budget include:

- **State Medicaid Reimbursements** (\$12.4 billion) – Massachusetts receives significant reimbursement for spending on the state’s Medicaid program, known as MassHealth. During the federal Public Health Emergency (2020 – 2023), the state benefitted from an increase in its federal match rate for MassHealth payments, bringing in approximately \$1 billion in enhanced federal revenue each year. FY 2025 will be the first full fiscal year in which the state receives no additional reimbursement for MassHealth spending and the majority of expenses will be eligible for 50 percent reimbursement. In FY 2025, the HWM budget assumes that the state will collect \$12.4 billion in state Medicaid reimbursement, a \$373.9 million increase compared to the FY 2024 GAA and a \$25 million increase compared to the Governor’s budget. This marginal increase over the Governor is related to \$50 million in spending included in the HWM budget for supplemental nursing home Medicaid rates.
- **Gaming** (\$359.2 million) – The HWM budget expects non-tax gaming revenues to total \$359.2 million in FY 2025, an increase of \$118.9 million over FY 2024 and a \$20.3 million decrease compared to the Governor’s budget. Included in this revenue assumption is the \$80 million in one-time revenue that is expected to be generated by the temporary diversion of gaming revenues, described above.
- **Marijuana** (\$21.5 million) – In FY 2025, the HWM budget assumes that marijuana licensing and fee revenue will decrease by \$7.2 million compared to FY 2024, totaling \$21.5 million. This assumption is equal to the Governor’s budget, and as the initial wave of new marijuana retailers and dispensaries subsides, decreases in marijuana licensing and fee revenue were anticipated.
- **Lottery** (\$1.55 billion) – Net profits from the Lottery are assumed to be \$1.55 billion in the HWM’s proposal for FY 2025. After adjusting for the \$100 million online lottery assumption, this equates to a \$211 million increase over FY 2024, and is equal to the Governor. Year-to-date, net profits from the Lottery total \$777.9 million, approximately \$30 million behind last year’s pace.

Trust Fund Resources

In addition to the one-time transfer of above-threshold capital gain revenue to support new and expanded spending initiatives in FY 2025, the HWM budget also utilizes \$500 million in trust fund resources to support spending. This is a decrease compared to the Governor’s budget, which relied on \$565 million in trust fund resources.

- *Student Opportunity Act Investment Fund* (\$300 million) – To support the fourth year of Student Opportunity Act implementation and the costs of Chapter 70 aid in FY 2025, the HWM budget relies on \$300 million from the SOA Trust Fund. The fund was originally capitalized with surplus tax revenues collected during FY 2021 and FY 2022, and had a beginning balance of \$500 million.

- *High-Quality Early Education & Care Affordability Fund* (\$200 million) – The HWM budget utilizes \$200 million from the EEC Trust Fund to support spending in FY 2025, all of which is used to fund a portion of the C3 Childcare Operational Grants program. The EEC Trust Fund was originally capitalized with \$490 million in surplus state tax revenue collections in FY 2022, and the FY 2024 GAA used \$225 million from the fund to support the C3 program. If the HWM’s proposal is adopted, \$65 million would remain in the fund for future use.

One-Time v. Ongoing Resources

In total, the HWM budget relies on \$1.19 billion in new one-time and ongoing revenue to support spending in FY 2025. Of this amount, \$1.03 billion is strictly one-time in nature; including, trust fund resources, above-threshold capital gains, and other temporary initiatives. As demonstrated in the table below, this is a slightly lower amount of one-time revenues than relied upon in the Governor’s budget, an approach supported by MTF.

New One-Time v. Ongoing Revenues in FY 2025

Proposal	One-Time v. Ongoing	FY 2025 - Governor	FY 2025 - HWM
Online Lottery	Ongoing	\$75	\$100
Tax Fairness & Modernization	Ongoing	\$60	\$60
Subtotal Ongoing Revenues		\$135	\$160
Tax Amnesty Program	One-Time	\$75	\$75
Gaming Fund Redistribution	One-Time	\$100	\$80
High-Quality EEC Trust Fund	One-Time	\$265	\$200
Student Opportunity Act Investment Fund	One-Time	\$300	\$300
Above Threshold Capital Gains	One-Time	\$375	\$375
Subtotal One-Time Revenues		\$1,115	\$1,030
Total Revenue Initiatives		\$1,250	\$1,190

\$ in millions

MTF Key Question: What level of one-time resources are included in the HWM budget?

The HWM budget relies upon \$1.19 billion in new one-time and ongoing revenues to support spending in FY 2025, \$1.03 billion of which are strictly one-time in nature. This represents a slight decrease compared to the Governor’s use of \$1.1 billion, which was the biggest such figure since before the pandemic. The HWM budget adheres to two of MTF’s key principles regarding the use of one-time resources in FY 2025: (1) the total amount of one-timers does not exceed the \$1.1 billion included in the Governor’s budget, and (2) it does not draw down the balance of the Stabilization Fund.

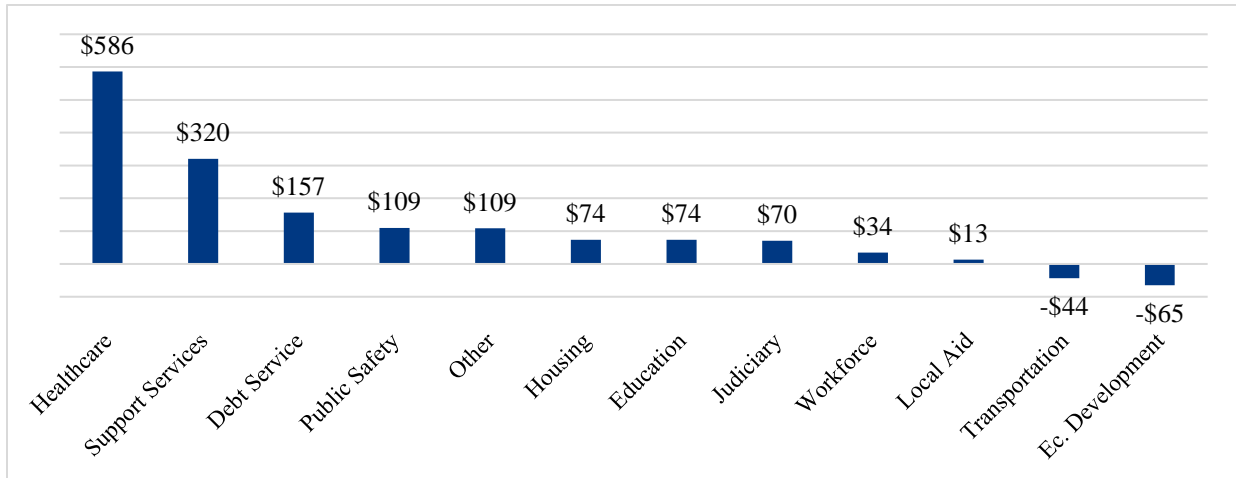
FY 2025 HWM Budget Spending

The FY 2025 HWM budget proposal includes \$57.98 billion in total line-item spending, a \$157.6 million (0.3 percent) decrease compared to the Governor and a \$1.9 billion (3.4) increase over the FY 2024 GAA.

Excluding surtax-supported spending and the transfer to the MATE, spending totals \$55.99 billion, a \$1.4 billion (2.6 percent) increase over FY 2024.

Excluding surtax spending, the largest increases in the Governor’s budget over the FY 2024 GAA were in the categories of healthcare and support services; and this remains true in the HWM budget as well.

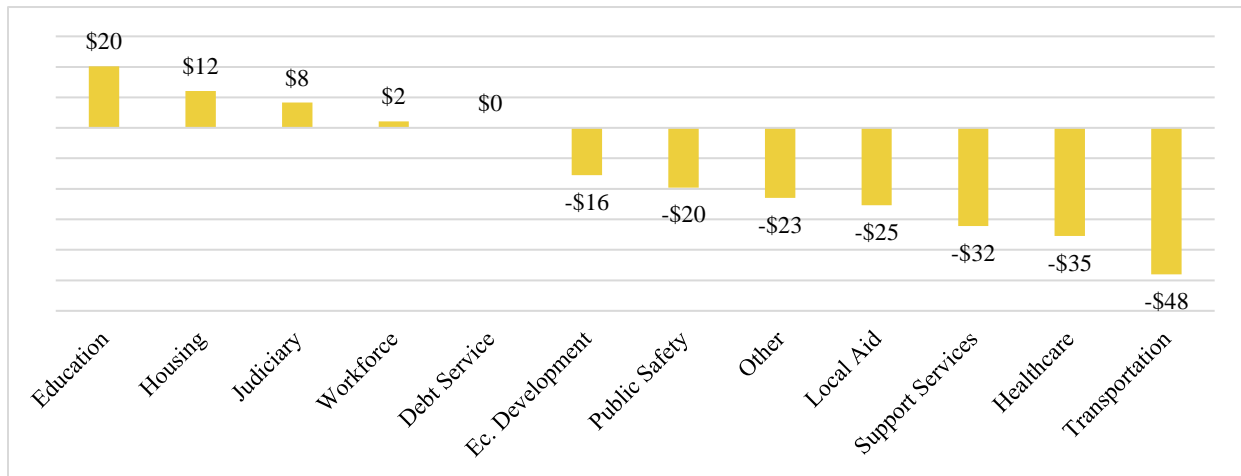
HWM Spending by Category vs. FY 2024 GAA (excluding surtax spending)



\$ in millions

Assessing spending differences by category between the HWM budget and the Governor’s proposal offers a more interesting comparison. The HWM budget directs additional funding towards education and housing, while decreasing the funds available for local aid, healthcare, and transportation (excluding surtax spending).

HWM Spending by Category vs. Governor’s Budget (excluding surtax spending)



\$ in millions

MassHealth & Healthcare

MassHealth

The largest category of spending in the HWM budget proposal is MassHealth, totaling \$20.372 billion and representing 35 percent of total line-item spending. Compared to estimated spending projections for FY 2024, gross state spending on MassHealth in the HWM budget increases by \$820 million (4.2 percent), and the net cost of the program increases by \$304 million (3.9 percent).

Compared to the Governor’s budget, gross state spending on MassHealth in the HWM budget increases by \$50 million (0.25 percent), while the net cost of the program increases by \$25 million (0.20 percent).

FY 2025 MassHealth Spending and Federal Reimbursement

	FY 2024 GAA	FY 2024 Current	FY 2025 - Governor	FY 2025 - HWM
Federal Reimbursement Share	\$12,014	\$11,872	\$12,363	\$12,388
<i>% of Total Spending</i>	60.6%	60.7%	60.8%	60.8%
State Share	\$7,803	\$7,681	\$7,960	\$7,985
Total MassHealth Spending	\$19,817	\$19,553	\$20,322	\$20,372

\$ in millions

The HWM proposal for MassHealth spending responds to the same major challenge faced by the Governor: healthcare costs are increasing at the same time that the state is losing nearly \$1 billion a year in enhanced federal reimbursement revenue. Additionally, there are significant uncertainties surrounding MassHealth program enrollment related to the ongoing redeterminations process, which has the potential to significantly impact spending levels.

In FY 2025, absent any changes to the MassHealth program, costs were expected to increase by approximately \$1.13 billion (net). As MTF has highlighted in a recent [report](#), to constrain that increase to approximately \$300 million, the Governor’s budget reflected \$940 million in net cost savings initiatives, offset by approximately \$114 million in net spending increases. The HWM budget appears to reflect many of these same proposals, with the exception of changes made to the Personal Care Attendant (PCA) program. The Governor’s budget assumed \$57 million in savings associated with adjustments to the number of hours of Activities of Daily Living (ADL) support that is required to be eligible for PCA services and a cap on hours authorized for meal preparation. The HWM budget includes line-item language preventing these changes from being implemented; however, there does not appear to be a corresponding funding increase.

The HWM budget also invests an additional \$50 million in supplemental nursing facility Medicaid rates. These rate increases are eligible for 50 percent reimbursement from the federal government, and so carry a net cost of \$25 million to the state.

Healthcare Assessment Changes

Like the Governor, the HWM budget includes a number of policy sections making significant changes to how we assess insurers and amends the hospital assessment system, most recently adjusted as part of the FY 2022 budget process. Both proposals increase assessment amounts significantly, and also increase the amount of money reinvested in the healthcare system in the form of rates paid to MCOs and payments made

to hospitals. After accounting for increased payments to insurers and healthcare providers, in FY 2025 the HWM proposal will generate an additional \$57 million in General Fund revenue and reduce General Fund payments to health care trust funds by approximately \$75 million. These are the same fiscal assumptions in the administration’s proposal.

The assessment changes proposed in the HWM budget fall into three categories:

Managed Care Assessment (sections 4, 5, 14 through 16, 37, 47, 52 through 55, 57, 59, 60, 62, 63, 72, 75, 87, 88, 1051 110 and 111) – These sections change the way insurance payors are assessed to support a variety of health care related costs. Currently, payors pay six separate assessments, while under the new proposal, the assessments would be combined and increased by \$246 million, to be repaid to Medicaid MCOs in the form of increased rates. The sections:

- Create a single “Total managed care organization services assessment amount” which is equal to the sum of \$246 million, and the MCO share of the cost of operation of CHIA, HPC, the Health Safety Net, the Vaccine Purchase Trust Fund, MCPAP, and the Behavioral Health Access and Crisis Intervention Trust Fund.
- Establish a new payor assessment, beginning in 2025. The assessment:
 - Shall be equal (annually) to the total defined assessment amount, which is the cost of the six current assessments and \$246 million;
 - Shall be assessed on a per member per month basis;
 - Shall vary depending on whether or not the payor is a Medicaid MCO and, if a Medicaid MCO, if their enrollment meets a standard to be set by EOHHS.
- Direct the combined MCO assessment amount to:
 - The existing 6 assessment areas;
 - \$246 million for MCO reinvestment rates; and
 - A General Fund subsidy of \$57 million in FY 2025 and \$114 million annually thereafter.
- Eliminate existing, standalone, MCO surcharges that support entities and initiatives now funded through the MCO services assessment amount.
- Give EOHHS the authority to propose alterations to the assessment or maintain the current assessment if appropriate federal approvals for the new assessment are not received.

The HWM MCO assessment includes technical differences with the administration’s proposal and differs in the mechanics of how the assessment is used to support CHIA, MCAP, and the Vaccine Purchase Trust fund; but the basic assessment process, amount, and impact to the General Fund is the same in both proposals.

Hospital Assessment (sections 31, 56, 58 through 61, 72, 73, 78, 85, 86, 104, and 109) – These sections amend the hospital assessment/incentive payment system put in place in 2022, as part of the state’s recently negotiated Medicaid waiver. The changes increase total hospital assessments by \$347 million and generate additional reimbursements, allowing for more than \$500 million in additional hospital payments and resulting in approximately \$75 million in FY 2025 budget savings. The changes:

- Increase the annual “Total Hospital Assessment Amount” by \$347 million from \$880 million to \$1.227 billion
 - This assessment is deposited into the Health Safety Net Trust Fund

- Amend the acute hospital assessment formula, established in 2022, by:
 - Creating a differential assessment for “Group 1” and “Group 2” safety net hospitals. The assessment rate for outpatient hospitals would be higher for both groups, but the Group 2 rate would be higher than Group 1.
 - Increasing the rate for non-acute hospitals for both in-patient and outpatient services.
- Increase annual payments from the Health Safety Net Trust Fund to the:
 - Safety Net Provider Trust Fund from \$62.5 million to \$149.3 million
 - Hospital Performance Incentive & Performance Trust Fund from \$532 million to \$791.9 million
- Give EOHHS the authority to propose alterations to the assessment or maintain the current assessment if appropriate federal approvals for the new assessment are not received.

As with the MCO assessment, the assessment changes and the savings assumptions in the HWM budget are the same as in the administration’s budget, though there are several smaller material and technical differences.

Health Care Trust Spending (section 37) – This section creates two new trust funds related to the overhauled MCO assessment. One fund (the Massachusetts Psychiatry Access Project Fund) will receive insurer assessment revenues to support the MCPAP program.

The section also creates the Managed Care Organization Services Reinvestment Trust Fund (MCOSTF), which will receive \$246 million annually from MCO assessments, as well as federal reimbursements related to expenditures from the fund. As noted above, \$246 million from the fund will go directly to MCOs in the form of additional rates. In FY 2025, \$57 million from the fund will be dedicated to the General Fund and that transfer will double to \$114 million in future years.

MTF Key Question: Does the House adopt the Governor’s proposed changes to hospital and payor assessments?

Yes. The HWM budget includes significant changes to the assessment structures for insurers and hospitals, largely reflecting the proposal put forward by the Healey administration. The intent of these changes is to simplify the current assessment system, while also generating additional revenue and savings for the state. After accounting for increased payments to insurers and healthcare providers, in FY 2025 the HWM proposal will generate an additional \$57 million in General Fund revenue and reduce General Fund payments to health care trust funds by approximately \$75 million.

Municipal Finance

The HWM budget funds Unrestricted General Government Aid (UGGA) at \$1.28 billion, a \$12.7 million (1.0 percent) increase over FY 2024 and \$25.4 million less than the Governor. This funding level for local aid is also notably less than the consensus revenue growth rate of 2 percent. Beginning in 2015, the Baker administration instituted a policy of tying UGGA growth to the expected rate of revenue growth. While this policy aimed to improve the sustainability and predictability of local aid, in FY 2024 Governor Healey and the Legislature departed from this practice in favor of a larger funding increase for cities and towns.

PILOT – Payment in Lieu of Taxes for State-Owned Land – is included in the HWM budget at \$51.8 million, a \$300K (0.7 percent) increase over the prior year and level with the Governor’s budget.

UGGA and PILOT Funding in FY 2025

Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	HWM vs. Governor
UGGA	\$1,270.6	\$1,308.7	\$1,283.3	-\$25.41
<i>\$ Increase v. Prior Year</i>	<i>\$39.4</i>	<i>\$38.1</i>	<i>\$12.7</i>	
<i>% Increase v. Prior Year</i>	<i>3.2%</i>	<i>3.0%</i>	<i>1.0%</i>	
PILOT	\$51.5	\$51.8	\$51.8	\$0.00
<i>\$ Increase v. Prior Year</i>	<i>\$6.5</i>	<i>\$0.3</i>	<i>\$0.3</i>	
<i>% Increase v. Prior Year</i>	<i>14.4%</i>	<i>0.7%</i>	<i>0.7%</i>	

\$ in millions

Other Investments in Municipalities

- Municipal Regionalization and Efficiencies Reserve** (\$17 million) – The HWM budget includes \$17 million in total funding for this reserve, including earmarks for several specific programs: \$3 million for the District Local Technical Assistance Fund and \$600K for a competitive grant program to provide financial support for regionalization and efficiency initiatives. The HWM budget does not explicitly earmark funds for several programs denoted in the Governor’s budget, including the Community Compact program or a new Municipal High-Demand Position Training program.

MTF Key Question: Does the HWM budget decouple growth in local aid for cities and towns from expected revenue growth?

Yes. The HWM budget increases funding for Unrestricted General Government Aid by \$12.7 million, or 1 percent, compared to the FY 2024 GAA. This is a notable decrease in funding compared to the Governor’s budget, which increased direct support to cities and towns by 3 percent over the prior year. Despite increases to local aid for cities and towns in recent years, the HWM budget funds UGGA at a level less than expected state tax revenue growth (2 percent).

Education

Early Education

The HWM budget includes \$1.53 billion in total funding for early education and care programs in FY 2025, a decrease of \$46.3 million (2.9 percent) compared to the Governor and \$9.6 million (0.6 percent) more than the FY 2024 GAA.

FY 2025 Early Education and Care Spending

Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	\$ vs. Governor
Administration	\$59.1	\$59.8	\$79.7	\$19.9
Child Care Operational Grants (C3)	\$475.0	\$325.0	\$300.0	-\$25.0
Child Care Financial Assistance	\$753.8	\$773.8	\$773.8	\$0.0
<i>DCF and DTA Related Child Care</i>	\$346.6	\$356.6	\$356.6	\$0.0
<i>Income-Eligible Child Care</i>	\$407.2	\$417.2	\$417.2	\$0.0
Program Supports & Expansion	\$47.5	\$47.7	\$47.5	-\$0.2
<i>Preschool Partnership Initiative</i>	\$15.0	\$17.7	\$15.0	-\$2.7
<i>Grants to Head Start Programs</i>	\$17.5	\$15.0	\$17.5	\$2.5
Child Care Resource & Referral Orgs.	\$20.0	\$20.0	\$20.0	\$0.0
Reimbursement Rate Reserve	\$55.0	\$0.0	\$0.0	\$0.0
Other Early Education	\$41.3	\$40.8	\$40.8	\$0.0
Income Surtax Spending	\$70.5	\$311.0	\$270.0	-\$41.0
<i>Child Care Operational Grants (C3)</i>	\$0.0	\$150.0	\$175.0	\$25.0
<i>Child Care Provider Capital Grants</i>	\$15.0	\$0.0	\$0.0	\$0.0
<i>Preschool Partnership Initiative</i>	\$5.5	\$21.0	\$0.0	-\$21.0
<i>Income Eligible Waitlist</i>	\$25.0	\$0.0	\$30.0	\$30.0
<i>EEC Provider Rates</i>	\$25.0	\$65.0	\$65.0	\$0.0
<i>Childcare Affordability</i>	\$0.0	\$75.0	\$0.0	-\$75.0
Grand Total	\$1,522.2	\$1,578.0	\$1,531.8	-\$46.3

\$ in millions

C3 Childcare Operational Grants

The Childcare Operational Grants program, known as “C3,” is funded at a total of \$475 million in the HWM budget, level with the FY 2024 GAA and the Governor. However, there are substantial differences concerning the resources used to fund the program in the HWM budget, and how those resources may be used to support specific types of providers.

HWM Funding for C3 Program in FY 2025

Funding Source	Amount	Eligible Providers
EEC Trust Fund	\$200	<i>Providers whose enrollment is at least 25% CCFA children</i>
Online Lottery	\$100	<i>Providers serving no CCFA children</i>
Income Surtax	\$175	<i>\$40M for providers whose enrollment is at least 25% CCFA. \$135M for providers with at least 1 subsidized child, but whose CCFA enrollment is less than 25%.</i>
Total Funding	\$475	

\$ in millions

The Governor’s budget funded the C3 program using the state’s General Fund (\$60 million), income surtax revenues (\$150 million), and trust fund resources (\$265 million). The HWM budget, by comparison, does not use any General Fund revenues to support the program in FY 2025. Instead, C3 is supported through a combination of trust fund resources (\$200 million), revenue generated from the creation of an online lottery (\$100 million), and income surtax revenue (\$175 million).

As described in the table above, the HWM budget also includes language directing specific funding streams towards different types of providers, depending on the number of families they serve that receive Child Care Financial Assistance (CCFA). Outside sections included in the HWM budget further define C3 spending over the next five years:

- At least 50.5 percent of funding has to go to providers with 25 percent CCFA enrollment or more;
- Not more than 28.4 percent of funds can go to providers whose CCFA enrollment share is 25 percent or less;
- Not more than 21.1 percent of funds can go to providers who do not serve children receiving CCFA.

Under the HWM proposal, these restrictions would remain in place until FY 2030, by which time the department will make recommendations for formula adjustments. While it is a goal of the C3 program to prioritize funding for providers that serve families receiving state assistance, the specificity of the language included in the HWM budget may create challenges for EEC when administering the program and technical obstacles for providers seeking assistance.

Other notable investments in the HWM budget for early education include:

- **Child Care Financial Assistance** (\$773.8 million) – The HWM budget increases funding for Income-Eligible and DTA/DCF related childcare by \$20 million over FY 2024, for a total of \$774 million. This funding level, in combination with a \$45 million investment of income surtax revenue, appears to annualize the entirety of a \$65 million rate increase approved for FY 2024. The HWM budget, also with the support of income surtax revenue, includes \$20 million for new provider rate increases in FY 2025.
- **Commonwealth Preschool Partnership Initiative** (\$15 million) – The HWM budget does not include the Governor’s proposal to expand the Commonwealth Preschool Partnership Initiative (CPPI) to all Gateway Cities by the end of 2026. Instead, they fund the CPPI program at \$15 million in FY 2025, level with the FY 2024 GAA.
- **Grants to Head Start** (\$17.5 million) – The HWM budget includes \$17.5 million in funding for Head Start programs, an increase of \$2.5 million over the Governor’s budget and level with the FY 2024 GAA. This funding provides support for state matching requirements that are needed to unlock federal funding.
- **Early Education and Care Scholarship & Loan Forgiveness Programs** (\$20 million) – The HWM budget includes \$20 million in total funding for two new programs: an early education and care educator scholarship program (\$10 million) and an early educator loan forgiveness program (\$10 million). This funding is included within the department’s administrative line-item, and both of these programs are established through outside policy sections.

Income Surtax Investments

In total, the HWM budget includes \$270 million in spending for early education and care supported by the income surtax; representing 21 percent of all surtax investments in the House’s proposal. Like the Governor’s budget, surtax revenues are primarily used to support existing state programs; including:

- \$175 million to support the costs of the C3 Childcare Operation Grants program.
- \$65 million for provider rate increases, \$45 million of which will go towards the annualization of rates approved in FY 2024 and \$20 million to support new rate increases in FY 2025.
- \$30 million to reduce the waitlist for Income-Eligible child care, including \$15 million to support the department’s procurement of contracted early education and care slots.

The HWM budget notably does not adopt the Governor’s proposals to use income surtax revenue to expand the Commonwealth Preschool Partnership Initiative or the initial eligibility threshold for Income-Eligible childcare from 50 percent of the State Median Income (SMI) to 85 percent of SMI.

MTF Key Question: Does the HWM budget maintain funding for C3 Operational Grants, and what funding sources are used to support the program?

The HWM budget maintains funding for the C3 Childcare Operational Grant program at \$475 million. However, the program is funded using three distinct sources of revenue across three different line-items. Line-item language also specifies how different sources of funding shall support different types of providers. While the intent of this proposal may be to prioritize funding for providers serving families receiving Child Care Financial Assistance, it may also create challenges for the Department of Early Education and Care in administering the program.

K-12 Education

Chapter 70 State Aid

The HWM budget provides \$6.9 billion in total funding for Chapter 70 state aid, an increase of \$308.3 million (4.7 percent) over the FY 2024 GAA and \$44.9 million (0.65 percent) more than the Governor. The House fully funds the fourth-year of Student Opportunity Act (SOA) implementation, and goes further than the administration to increase minimum aid per pupil to \$104.

FY 2025 Chapter 70 Aid Funding

Program	FY 2022 GAA	FY 2023 GAA	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM
Chapter 70 State Aid	\$5,503.3	\$5,988.5	\$6,584.8	\$6,856.03	\$6,863.9
<i>Minimum Aid Supplement</i>	\$0.00	\$9.69	\$7.86	\$0.00	\$37.00
Total State Aid	\$5,503.3	\$5,998.2	\$6,592.6	\$6,856.0	\$6,900.9
<i>\$ Increase v. Prior Year</i>	\$219.6	\$494.9	\$594.4	\$263.4	\$308.3
<i>% Increase v. Prior Year</i>	4.2%	9.0%	9.9%	4.0%	4.7%
SOA Implementation Schedule	Year 1	Year 2	Year 3	Year 4	Year 4

\$ in millions

In FY 2025, funding for public school districts in the state budget is primarily impacted by two factors: a lower foundation inflation index of 1.4 percent, and stagnant statewide foundation enrollment trends. MTF [reported](#) previously that the combination of these two factors has resulted in a smaller year-over-year increase in state aid compared to FY 2023 and FY 2024.

The House’s proposal to increase minimum aid per pupil from \$30 to \$104 has the benefit of directing targeted state aid increases to over 200 school districts, while costing the state an additional \$37 million compared to the Governor’s budget. In contrast, an increase to the inflation factor of just 1 percentage point, to 2.4 percent, would have cost the state an additional \$63 million and only benefitted the same 60 districts already experiencing the largest increases in state aid.

MTF Key Question: Does the HWM budget continue Student Opportunity Act implementation, moving towards full implementation by FY 2027?

The HWM budget fully funds the fourth year of Student Opportunity Act implementation, keeping the state on track towards full implementation of the law by FY 2027. While stagnant student enrollment and low inflation have depressed year over year growth in state aid, the HWM budget directs additional support towards school districts by increasing the minimum aid per pupil amount to \$104. This proposal, in combination with other minor adjustments to the Chapter 70 aid calculation, increases state aid for public schools by \$45 million compared to the Governor and benefits over 200 school districts.

Education Reimbursement Programs

The HWM budget includes a total of \$819.8 million for other major education reimbursement programs in FY 2025, including Charter Tuition Reimbursement, Special Education Circuit Breaker, and Student Transportation Reimbursement. This funding level represents a \$38.6 million (4.5 percent) decrease compared to the FY 2024 budget and a \$500K (0.1 percent) decrease compared to the Governor’s budget.

FY 2025 K-12 Education Reimbursement Programs

Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	HWM vs. Governor
SPED Circuit Breaker	\$499.0	\$492.23	\$492.73	\$0.5
Charter Tuition Reimbursement	\$232.7	\$198.99	\$198.99	\$0.0
Regional School Transportation	\$97.1	\$99.46	\$99.46	\$0.0
Non-Resident Vocational Transportation	\$1.0	\$1.00	\$0.00	-\$1.0
Homeless Student Transportation	\$28.7	\$28.67	\$28.67	\$0.0
Total Education Reimbursement	\$858.4	\$820.3	\$819.8	-\$0.5

\$ in millions

Notable details regarding the funding levels for these programs include:

- **Charter Tuition Reimbursement** – The HWM budget level funds Charter Tuition Reimbursement with the Governor’s budget at \$199 million. This funding level is projected to fully reimburse districts’ charter tuition claims in FY 2025.
- **Special Education Circuit Breaker** – The Circuit Breaker program is funded at \$492.7 million in the HWM budget, an increase of \$500K over the Governor. This additional funding appears to

support increased funding for the Best Buddies program. This funding level, in combination with a \$75 million supplemental appropriation for the Circuit Breaker program included in the FY 2023 closeout supplemental budget, is estimated to fully reimburse districts for eligible special education instructional and out-of-district transportation costs.

- **Student Transportation Reimbursement** – The HWM budget level funds Regional School Transportation and Homeless Student Transportation with the Governor’s budget. These funding levels are estimated to provide 84 percent reimbursement and 71 percent reimbursement for transportation costs in FY 2025, respectively. The HWM budget excludes funding for Non-Resident Vocational School Transportation, funded at \$1 million by the Governor.

Income Surtax Investments

K-12 education receives a total of \$267 million in surtax investments in the HWM spending plan for FY 2025, comprising 20.5 percent of all surtax investments in their budget. These investments include:

- \$190 million for the full-year costs of Universal School Meals, an increase of \$20 million over the Governor’s budget.
- \$37 million in supplemental per pupil minimum aid, increasing the aid amount from \$30 to \$104 per pupil.
- \$30 million to support the Governor’s proposed early literacy initiative, known as “Literacy Launch.” This program will support the adoption of evidence-based practices and high-quality literacy education materials in districts across the state.
- \$10 million for the Green School Works program, a competitive grant program to fund projects at public schools to install or maintain clean energy infrastructure. This program was created in the FY 2024 GAA and was originally funded at \$50 million.

Higher Education

HWM funds the public higher education sector at \$1.92 billion, a \$74 million (4 percent) increase over FY 2024 and \$57.7 million (2.9 percent) less than the Governor. The funding decrease compared to the Governor’s budget is almost fully driven by the House’s decision to direct fewer income surtax revenues towards higher education.

FY 2025 Higher Education Spending by Sector

Category	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	\$ vs. Governor
Community Colleges	\$348.8	\$384.2	\$388.0	\$3.8
State Universities	\$338.7	\$369.4	\$372.8	\$3.4
University of Massachusetts	\$692.9	\$765.9	\$774.6	\$8.8
Scholarship Programs	\$198.4	\$198.0	\$198.0	\$0.0
<i>Community College SUCCESS Fund</i>	<i>\$14.0</i>	<i>\$14.0</i>	<i>\$14.0</i>	<i>\$0.0</i>
<i>Massachusetts State Scholarship Program</i>	<i>\$175.7</i>	<i>\$175.2</i>	<i>\$175.2</i>	<i>\$0.0</i>

Category (cont.)	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	\$ vs. Governor
Income Surtax Spending - Higher Ed	\$229.0	\$229.0	\$158.0	-\$71.0
<i>Financial Aid Expansion</i>	\$84.0	\$80.0	\$80.0	\$0.0
<i>MassReconnect</i>	\$20.0	\$24.0	\$24.0	\$0.0
<i>Higher Education Capital Funding</i>	\$50.0	\$125.0	\$10.0	-\$115.0
<i>Targeted Scholarships</i>	\$25.0	\$0.0	\$10.0	\$10.0
<i>DHE Endowment Match</i>	\$10.0	\$0.0	\$10.0	\$10.0
<i>UMass Endowment Match</i>	\$10.0	\$0.0	\$10.0	\$10.0
<i>Free Community College Implementation Supports</i>	\$12.0	\$0.0	\$0.0	\$0.0
<i>Nursing Programs Free Community College</i>	\$18.0	\$0.0	\$0.0	\$0.0
<i>State University SUCCESS</i>	\$0.0	\$0.0	\$14.0	\$14.0
Other Higher Education	\$33.9	\$27.0	\$24.4	-\$2.6
Total Funding	\$1,841.7	\$1,973.5	\$1,915.8	-\$57.7

\$ in millions

Public Higher Education Campuses

Campus operating appropriations for Community Colleges and State Universities are level funded with the Governor’s budget. The average funding increase over the FY 2024 GAA is 11 percent; however, the majority of these increases are related to the annualization of ratified collective bargaining agreements.

The University of Massachusetts operating account is funded at \$770.6 million, an increase of \$10 million (1.13 percent) over the Governor’s budget and \$83.5 million (12 percent) greater than the FY 2024 GAA.

Scholarship Programs & Addressing Student Costs

The HWM budget includes \$198 million for scholarship programs and wraparound student supports, excluding initiatives supported by income surtax revenues. This funding level includes \$175.2 million for the state’s primary Scholarship Reserve and \$14 million for the Community College SUCCESS program, both level with the Governor’s budget.

Income Surtax Investments

The higher education sector receives \$158 million in income surtax revenues to support spending, representing 12.2 percent of all surtax investments in the HWM budget. This is a notable departure from the Governor’s budget, which directed \$229 million in surtax-spending toward higher education. The HWM investments include:

- \$80 million for Financial Aid Expansion, which will provide assistance to Massachusetts students attending any public institution of higher education in the state.
- \$24 million for the MassReconnect program.
- \$20 million in total for an Endowment Incentive Program at the University of Massachusetts, State University, and Community Colleges.
- \$14 million for a new State University SUCCESS grants program, which builds off the accomplishments of the Community College SUCCESS grants program.

- \$10 million for Targeted Scholarships to provide financial assistance to students pursuing a career in a high-demand profession, as defined by the Executive Office of Labor and Workforce Development. This program was funded in the FY 2024 GAA at \$25 million, and the majority of that funding (\$22 million) is expected to be available in FY 2025.

MTF Key Question: Does the House adopt the Governor’s proposal to dedicate a portion of surtax revenues towards education capital needs?

No. The HWM budget does not include the Governor’s proposal to permanently dedicate \$125 million of income surtax revenue towards education-related capital projects. The HWM budget dedicates a total of \$158 million in surtax resources towards the higher education sector and prioritizes supporting existing programs, including the MassReconnect program, financial aid expansion, and the endowment incentive program. The one exception is their creation of a new State University SUCCESS Grants Program, funded at \$14 million.

Workforce & Career Readiness

MTF tracks workforce and career readiness spending across 43 state programs and 16 state agencies. As detailed in a series of reports, the programs are organized into three categories: Individual Workforce Training programs, Sector-Based programs, and Training Opportunities for State-Serving Populations.

In FY 2025, the HWM budget includes \$534.2 million in total funding for these programs, a \$34.4 million (6.9 percent) increase over the FY 2024 state budget and a \$2.1 million (0.4 percent) increase over the Governor.

FY 2025 Workforce Spending by Sector in FY 2025

Category	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	\$ vs. Governor
Sector-Based	\$68.8	\$57.4	\$58.1	\$0.7
<i>Career and Technical Education Program</i>	\$3.5	\$2.5	\$3.5	\$1.0
<i>Career Technical Institutes</i>	\$15.4	\$10.4	\$10.4	\$0.0
<i>STEM Starter Academy</i>	\$4.8	\$3.6	\$4.8	\$1.1
<i>Transfer to WCTF</i>	\$10.0	\$10.0	\$10.0	\$0.0
<i>Provider Higher Education</i>	\$10.0	\$10.0	\$10.0	\$0.0
Training Opportunities for State Populations	\$304.6	\$348.0	\$348.2	\$0.3
<i>Community Day and Work Programs</i>	\$243.2	\$288.0	\$288.0	\$0.0
Individual Workforce Training	\$126.5	\$126.7	\$127.9	\$1.2
<i>School-to-Career Connecting Activities</i>	\$7.8	\$7.3	\$7.8	\$0.5
<i>Summer Jobs Program for At-Risk Youth</i>	\$16.2	\$15.7	\$16.2	\$0.5
Total Spending	\$499.8	\$532.1	\$534.2	\$2.1

\$ in millions

Notable workforce programs included in the HWM budget include:

- **Career and Technical Education Programs** (\$3.5 million) – Funded through the Department of Elementary and Secondary Education (DESE), this program supports planning and implementation

grants to expand career and technical education programs at vocational schools. The HWM budget funds this program at \$3.5 million, level with the FY 2024 GAA and \$1 million greater than the Governor’s budget. As in FY 2024, language is also added to the item prioritizing funding for programs with demonstrable waitlists.

- **STEM Starter Academy** (\$4.8 million) – The STEM Starter Academy program supports services provided at Massachusetts Community Colleges for students interested in STEM majors and careers. The program also encourages collaboration between institutions of higher education and employers, to support the workforce needs of in-demand fields. STEM Starter Academies are funded at \$4.8 million in the HWM budget, level with the FY 2025 GAA and \$1.1 million greater than the Governor’s budget. The HWM budget also adds language increasing reporting requirements and allowing funds to be used during the summer months, consistent with FY 2024.
- **School to Career Connecting Activities** (\$7.8 million) – School to Career Connecting Activities supports public-private partnerships between DESE and employers to provide work-based learning experiences, career development services, and career exploration activities to high school students. This item is funded at \$7.8 million in the HWM budget, level with the FY 2024 GAA and \$500K greater than the Governor’s budget.
- **Summer Jobs Program for At-Risk Youth** (\$16.2 million) – This program supports the YouthWorks program, administered by the Commonwealth Corporation, a year-round employment and job training program for at-risk individuals under the age of 25. The HWM budget funds this program at \$16.2 million, level with the FY 2024 GAA and \$500K higher than the Governor’s budget.

The HWM budget eliminates funding for the Workforce Development Grant Program, which was funded at \$3 million in FY 2024 and \$2.5 million in the Governor’s budget. This competitive grant program, administered by the Massachusetts Technology Collaborative, supports organizations that provide advanced manufacturing training programs, including welding and robotics, for underemployed and unemployed individuals.

MTF Key Question: Does the House budget include more detailed reporting requirements for workforce programs?

The HWM budget includes the same reporting requirements for the Demonstration Workforce Development Program that were in the FY 2024 GAA line-item. However, reporting requirements are not included for several other major workforce programs. HWM does not include reporting requirements for the Summer Jobs for At-Risk Youth program, Dual Enrollment Grant and Subsidies, and the EEC Provider Higher Education Opportunities line-items. The lack of reporting requirements for these programs is consistent with the FY 2024 GAA but continues to create challenges when determining the program’s outcomes and impact on the workforce.

Transportation

The HWM budget includes \$771.7 million in base-funding for the MBTA, MassDOT, and Regional Transit Authorities (RTAs) in FY 2025, a \$44 million (5.4 percent) decrease compared to FY 2024 and \$49 million (5.9 percent) less than the Governor’s budget.

This investment is supported by \$605 million in spending supported by the income surtax, as well as a \$1.46 billion pre-budget transfer of sales tax revenues towards the MBTA.

FY 2025 Transportation Spending

Category	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	\$ vs. Governor
Transfer to MassDOT	\$523.0	\$528.0	\$478.0	-\$50.0
Transfer to MBTA	\$187.0	\$187.0	\$188.0	\$1.0
Transfer to RTAs	\$94.0	\$94.0	\$94.0	\$0.0
Other Transportation	\$11.7	\$11.7	\$11.7	\$0.0
Income Surtax Spending (CTF Fund)	\$0.0	\$250.0	\$250.0	\$0.0
<i>Supplemental Transfer to MassDOT</i>	<i>\$0.0</i>	<i>\$60.0</i>	<i>\$60.0</i>	<i>\$0.0</i>
<i>Supplemental Transfer to MBTA</i>	<i>\$0.0</i>	<i>\$127.0</i>	<i>\$127.0</i>	<i>\$0.0</i>
<i>CTF Debt Service</i>	<i>\$0.0</i>	<i>\$63.0</i>	<i>\$63.0</i>	<i>\$0.0</i>
Income Surtax Spending (Other)	\$476.5	\$300.0	\$355.0	\$55.0
<i>Federal Matching Funds</i>	<i>\$25.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
<i>MBTA Capital Investments</i>	<i>\$180.8</i>	<i>\$0.0</i>	<i>\$75.0</i>	<i>\$75.0</i>
<i>MBTA Means Tested Fares</i>	<i>\$5.0</i>	<i>\$45.0</i>	<i>\$20.0</i>	<i>-\$25.0</i>
<i>MBTA Workforce/Safety Reserve</i>	<i>\$20.0</i>	<i>\$0.0</i>	<i>\$65.0</i>	<i>\$65.0</i>
<i>Regional Transit Funding and Grants</i>	<i>\$90.0</i>	<i>\$75.0</i>	<i>\$90.0</i>	<i>\$15.0</i>
<i>Roads & Bridges Supplemental Aid</i>	<i>\$100.0</i>	<i>\$124.0</i>	<i>\$25.0</i>	<i>-\$99.0</i>
<i>Water Transportation</i>	<i>\$5.70</i>	<i>\$0.00</i>	<i>\$5.00</i>	<i>\$5.0</i>
<i>Safety, Service, and Sustainability</i>	<i>\$0.00</i>	<i>\$56.00</i>	<i>\$0.00</i>	<i>-\$56.0</i>
<i>MBTA Academy</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$40.00</i>	<i>\$40.0</i>
<i>MBTA Resilient Rails</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$35.00</i>	<i>\$35.0</i>
Total Spending	\$1,292.17	\$1,370.70	\$1,376.70	\$6.00

\$ in millions

MBTA

In FY 2025, the HWM budget includes a \$188 million base transfer to the MBTA, increasing funding by \$1 million over the Governor’s budget. This funding is supplemented by an additional \$127 million in operational support funded with income surtax revenue. In total, operational funding for the MBTA totals \$315 million in the HWM budget, marginally higher than Governor Healey’s proposal.

In addition to the \$315 million subsidy, the HWM budget includes \$240 million in surtax-supported spending for a range of MBTA initiatives, including:

- \$75 million for physical infrastructure improvements.
- \$65 million to respond to the safety improvements deemed necessary by the 2022 Federal Transit Authority (FTA) investigation.
- \$40 million for an “MBTA Academy” to support the recruitment and retention of the MBTA workforce.
- \$35 million for a “Resilient Rides” program to support climate adaptation and readiness capital improvement projects.
- \$20 million for a means-tested fare program.

- \$5 million for ferry services.

MassDOT

The HWM budget directs \$478 million in base operating funding towards MassDOT in FY 2025, a decrease of \$50 million compared to the Governor’s budget. While the specific intent of this funding decrease is unclear, it appears that it may be related to the exclusion of funding for snow and ice removal.

The subsidy for MassDOT is supplemented by a \$60 million transfer from the Commonwealth Transportation Fund, supported by income surtax revenues. In total, this provides \$538 million for the agency in FY 2025.

Regional Transit Authorities

In the HWM budget, Regional Transit Authorities receive \$94 million in base operating support, and an additional \$90 million through the income surtax. While the \$94 million in operational funding will be distributed via a formula that considers ridership, service area, and population; the \$90 million in surtax funding appears to support discretionary grants. The item includes two earmarks: \$15 million for an innovation grant program, and \$4 million for grants to support expanded mobility options for older adults, people with disabilities, and low-income individuals.

Income Surtax Investments

In total, the HWM budget dedicates \$605 million in income surtax revenue towards transportation, representing 46.5 percent of all surtax investments in FY 2025.

Most notably, the House includes the Healey administration’s proposal to dedicate \$250 million in income surtax revenue towards the Commonwealth Transportation Fund. As previously highlighted by the Healey administration, the creation of an automatic deposit of income surtax revenue into the CTF aims to achieve two goals: (1) it allows the state to significantly increase its borrowing capacity for transportation-related capital projects by up to \$1.1 billion over five years; and (2) it immediately makes additional resources available for transportation-related operating costs at the MBTA, MassDOT, and Regional Transit Authorities.

The HWM budget does differ from the administration’s plan, however, with its inclusion of an outside policy section that specifically dictates how the \$250 million transfer to the Commonwealth Transportation Fund will be spent in FY 2025 and future years.

Distribution of Income Surtax Revenues through the CTF

Proposal	FY 2025 - Governor	FY 2025 - HWM
<i>MBTA Operating Supplement</i>	\$127	\$127
<i>MassDOT Operating Supplement</i>	\$60	\$60
<i>Future Debt Service</i>	\$63	\$63
Total	\$250	\$250

\$ in millions

MTF Key Question: Does the House adopt the Governor’s proposal to permanently direct \$250 million of income surtax revenue towards the Commonwealth Transportation Fund?

Yes. The HWM budget includes the Governor’s proposal to permanently dedicate \$250 million in income surtax revenue towards the Commonwealth Transportation Fund. Outside policy language also states that the surtax revenues deposited into the CTF shall support MBTA operating costs at \$127 million, MassDOT operations at \$60 million, and debt service costs at \$63 million. Ultimately, the automatic deposit of these resources into the fund will allow the state to expand its borrowing capacity by up to \$1.1 billion over the next 5 years.

Housing

The state supports the majority of its housing production and preservation costs through the Capital Investment Plan (CIP), and you can learn more about the Healey administration’s ambitious housing bond bill through MTF’s previous [analysis](#). But the annual operating budget also includes funding for a variety of housing stabilization, homelessness prevention, and housing financial assistance programs.

In FY 2025, the HWM budget includes \$1.15 billion in total funding for housing-related programs, a \$74 million (6.9 percent) increase over FY 2024 and \$12.1 million (1.1 percent) more than the Governor’s budget.

FY 2025 Housing Investments

Category of Program	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	\$ vs. Governor
Housing Stabilization & Homelessness Prevention	\$517.3	\$542.1	\$542.5	\$0.3
<i>Emergency Assistance Family Shelters and Services</i>	\$325.3	\$325.3	\$325.3	\$0.0
Housing Financial Assistance	\$405.5	\$449.3	\$449.3	\$0.0
<i>Massachusetts Rental Voucher Program</i>	\$179.6	\$219.0	\$219.0	\$0.0
<i>Residential Assistance for Families in Transition</i>	\$190.0	\$197.4	\$197.4	\$0.0
Counseling & Education Services	\$10.5	\$8.8	\$8.8	\$0.0
Public Housing	\$108.3	\$113.3	\$113.3	\$0.0
Other Housing	\$32.0	\$22.0	\$33.8	\$11.7
<i>Housing Assistance for Re-Entry Transition</i>	\$3.0	\$3.0	\$4.8	\$1.8
<i>Shelter Workforce Assistance</i>	\$10.0	\$0.0	\$10.0	\$10.0
Grand Total	\$1,073.6	\$1,135.5	\$1,147.6	\$12.1

\$ in millions

Notable housing investments in the HWM budget proposal include:

- **Massachusetts Rental Voucher Program** (\$219 million) – Funding for the MRVP program is increased by \$39.4 million (22 percent) over the FY 2024 GAA and is level with the Governor’s budget. The funding level is expected to support the continuation of over 750 new MRVP vouchers released last year.
- **Residential Assistance for Needy Families** (\$197.4 million) – The Residential Assistance for Needy Families (RAFT) program is funded at \$197.4 million in the HWM budget, an increase of

\$7.4 million (4 percent) over the FY 2024 GAA and level with the Governor’s budget. This funding level is projected to support a benefit level of \$7,000 per household over a 12-month period, which matches the FY 2024 GAA and Governor’s proposal.

- **Shelter Workforce Assistance** (\$10 million) – The HWM budget includes \$10 million for a shelter workforce development initiative, matching the funding level provided for this program in FY 2024. Funding in this item is split between \$5 million for family shelters and \$5 million for individual shelters.

Emergency Assistance Shelter System

The HWM budget includes a \$325 million appropriation for the Emergency Assistance (EA) shelter system in FY 2025, level with the FY 2024 GAA and the Governor’s budget, but less than half of the projected FY 2025 cost.

The House’s spending plan also includes outside section policy language that would allow the Executive Office for Administration and Finance to transfer at least \$175 million from the Transitional Escrow Fund to support the EA shelter system in FY 2025. In combination with the \$325 million direct appropriation, this would make \$500 million available to support the EA program, slightly more than half of the projected cost of the program in FY 2025. There is currently a supplemental budget being negotiated that includes competing House and Senate proposals to use Transitional Escrow funds to cover unfunded EA costs in FY 2024 and into FY 2025.

Estimated Emergency Assistance Shelter System Spending in FY 2025

FY 2025 EA Program Estimated Spending	\$915
<i>FY 2025 Governor's Budget Appropriation</i>	<i>\$325</i>
<i>Available Transitional Escrow Fund Resources</i>	<i>\$175</i>
Total Available Resources	\$500
FY 2025 Projected Deficiency in HWM Budget	(\$415)

\$ in millions

Energy & Environment

The HWM budget funds the Executive Office for Energy and Environmental Affairs and its departments at \$571.6 million, an increase of \$13.6 million (2.4 percent) over FY 2024 and \$611K (0.1 percent) less than the Governor.

FY 2025 Climate, Energy, and Environment Funding

Department	FY 2024 GAA	FY 2025 - Governor	FY 2025 - HWM	\$ vs. Governor
Executive Office of Energy and Environ. Affairs	\$194.4	\$173.1	\$172.5	-\$0.5
Dept. of Agricultural Resources	\$52.2	\$74.8	\$75.2	\$0.5
Dept. of Conservation and Recreation	\$157.3	\$159.1	\$159.7	\$0.6
Dept. of Energy Resources	\$5.5	\$7.0	\$6.9	-\$0.1
Dept. of Environmental Protection	\$84.4	\$86.7	\$86.1	-\$0.5
Dept. of Fish and Game	\$41.2	\$45.1	\$44.8	-\$0.3
Dept. of Public Utilities	\$23.1	\$26.4	\$26.2	-\$0.3
Grand Total	\$557.9	\$572.2	\$571.6	-\$0.6

\$ in millions

Notable investments across the secretariat include:

- **Food Security Infrastructure Grants** (\$25.3 million) – Like the Governor’s budget, the HWM proposal for FY 2025 includes \$25 million for the Food Security Infrastructure grants program; ensuring that this program continues to receive support through the annual operating budget.
- **Transfer to the Massachusetts Clean Energy Center** (\$30 million) – The HWM budget maintains the Governor’s transfer of \$30 million to the Clean Energy Center; however, as in the FY 2024 GAA, budget language specifies that funds shall be expended for environmental sector workforce development initiatives. Similarly, HWM requests a report from the EOEEA on the workforce development programs that receive funding from the center in FY 2025 and the number of individuals served by such programs.
- **Culverts and Small Bridge Technical Assistance** (\$2.8 million) – The HWM budget includes a new line-item, funded at \$2.8 million, to support improvements to culverts and small bridges for the purposes of public safety, climate change resilience, and ecosystem restoration.

FY 2025 Outside Policy Sections

The House Ways and Means FY 2025 budget proposal includes 109 outside policy sections, 62 more than the number of sections included in the FY 2024 HWM budget and 3 fewer than the Healey-Driscoll budget.

Policy Sections Compared

	FY 2024 HWM	FY 2024 Conference	FY 2025 Governor	FY 2025 HWM
Policy Sections	47	112	112	109

In addition to the HWM proposals related to health care assessments and revenue initiatives, which are summarized earlier in the report, the HWM budget is notable for including a large number of proposals put forward by the administration. Of the sections in the HWM budget, more than 80 have a corresponding

section in the Governor’s budget. The House does not include about 25 administration sections, including a section expanding the state’s authority to negotiate supplemental drug and medical device rebates.

Notable policy proposals include:

Tax Policy

Internal Revenue Code Conformity (HWM sections 39 & 106; Gov. section 43) – this section aligns state tax law with the Internal Revenue Code in effect as of January 1, 2024. Under current law, the state conforms to the IRC as of January 2022. The same policy was included in the Governor’s budget.

Interest on Savings in Massachusetts Banks (HWM sections 40 & 106; Gov. sections 44 & 108) – this section would repeal the income deduction of interest and dividends earned from savings accounts. In FY 2024, this deduction was valued at \$4.5 million. This section is effective as of January 1, 2024. The same policy was included in the Governor’s budget.

Joint Filer Requirement (HWM section 41; Gov. section 46) – this section undoes the recent requirement that married couples file in the same form at both the state and local level for couples with income under \$8,000. This change is proposed because the recent provision, without exemption, would have had negative tax consequences for low-income filers. The same policy was included in the Governor’s budget.

Tax Exempt Organization Publication Taxation (HWM sections 42 & 107; Gov. sections 48 & 109) – this section eliminates the sales tax exemption for publications of non-profit entities. In FY 2024, this exemption was valued at \$23 million. The same policy was included in the Governor’s budget.

Tax Amnesty (HWM section 84; Gov. section 91) – this section establishes a 60-day tax amnesty program, applying to returns due before the end of 2024 and with a potential lookback period of four years. The provisions of the program are to be established by DOR but may apply to returns not filed, not filed in a timely manner, or in which the full amount of an estimated payment was not remitted. Taxpayers who utilize the program would be prohibited from utilizing another tax amnesty program for 10 years. The same policy was included in the Governor’s budget.

Surtax Policy

Dedication of Surtax Revenues (HWM sections 30 & 32 through 35; Gov sections 24 through 30) – like the Governor, the HWM budget dedicates \$250 million in surtax collections directly to the Commonwealth Transportation Fund without appropriation. This CTF dedication allows for operational transportation expenditures, while also increasing the CTF’s bonding ability to support capital spending. The HWM budget enumerates exactly how the \$250 million in dedicated CTF funding is to be used, which follows the same outlines as the Governor’s FY 2025 budget, but would make this distribution permanent in statute for future years:

- \$127 million to increase the operating subsidy to the MBTA;
- \$63 million to be reserved for debt service;
- \$60 million to MassDOT for operations.

HWM does not adopt the Governor’s proposal to similarly dedicate \$125 million in surtax revenues to increase higher education capital investments.

Surtax Spending Reductions (HWM section 36; Gov. section 30) – this section would allow mid-year budget reductions of surtax spending in all cases when the Administration certifies that budgeted revenues are insufficient to meet expenditures. Under the language included in the FY 2024 budget, surtax spending could only be cut mid-year if surtax revenues are projected to fall short of the threshold established for the year.

Health Care Policy

Discussion of policy changes related to insurer and provider assessments can be found in the **MassHealth & Healthcare** spending section of this brief.

MassHealth Copays (HWM sections 50 & 51; Gov. sections 59 & 61) – Like the Governor, the HWM eliminates copays and cost sharing for the state’s Medical Security Plan and CHIP programs. However, the HWM budget adds language requiring EOHHS to maximize federal reimbursement on the MSP program and report quarterly to the House and Senate on MSP enrollment, claims and demographic language. For both MSP and CHIP the HWM budget adds language to make clear that the existence of the two programs does not create an entitlement to services not already in place under state or federal law. This additional language is not included in the Governor’s budget.

MassHealth Standing Order (HWM section 64; Gov. section 73) – this section authorizes a standing order for physicians to prescribe prenatal vitamins and oral contraceptives for MassHealth and Health Safety Net clients. The same policy was included in the Governor’s budget.

Education

Early Educator Scholarship & Loan Forgiveness Programs (HWM section 17) – this section establishes an early educator scholarship program and an early educator loan forgiveness program. The scholarship program, subject to appropriation is open to current and prospective early educators enrolled in post-secondary coursework and committed to remaining in the field. The scholarship will prioritize individuals from socially or economically disadvantaged communities and can be used for tuition, fees, and other necessary expenses including childcare.

The loan forgiveness program, also subject to appropriation, is to be implemented consistent with the Department of Early Education & Care’s workforce plan and will prioritize early educators in disadvantaged communities and regions with a childcare workforce shortage.

Family Childcare Cap (HWM section 18) – this section eliminates the 10 child cap on the number of children under that can be served in a large family child care home. Staffing requirements for large family child care homes would not be altered under the proposal.

EEC Duties & reporting (HWM sections 19 & 20) – these sections require EEC to:

- Collect and report on eleven different pieces of information related to childcare providers their staffs, and costs for families. Required information includes the number of for-profit childcare providers, the number of center-based providers, the number of childcare employees organized by type, rates of pay for staff, tuition charged for families, and data on the number of children served by provider type, both within and without the childcare financial assistance system.

- Develop and implement an early education and care guide for parents of newborns which would include a range of information on the benefits of early education, childcare financial assistance options within the state, and a searchable database of childcare providers by region.

The sections also require the Board of Early Education and Care annual report to summarize information required to be collected above as well as information summarizing the operational grant program.

EEC Data Advisory Commission (HWM section 21) – this section creates an EEC Data Advisory Commission, modeled after the DESE Data Advisory Commission, that would make recommendations to EEC on effective data strategies for assessing the needs of families, creating a uniform reporting system, and increasing EEC’s ability to use data to inform effective decisions.

EEC Operational Grants (HWM sections 22, 82 & 83) – these sections:

- Creates an Early Education and Care Operational Grant Fund, which will be credited with revenues from iLottery, and would be used to support the early education operational grants.
- Establishes an operational grant program in statute. Under the language:
 - The program would have three defined tiers of grants through FY 2029:
 - At least 50.5 percent of grants each year would go to providers serving 25 percent or more children receiving childcare financial assistance;
 - Not more than 28.4 percent of funding would go to providers serving between 1 and 25 percent of children receiving childcare financial assistance;
 - Not more than 21.1 percent of funding would go to providers no serving any children receiving childcare financial assistance.
 - Though at least FY 2029, for-profit center-based providers with franchises in multiple states cannot receive more than 0.33 percent of total grant funding unless they serve more than 25 percent of children receiving childcare financial assistance;
 - Participating providers would be required to submit all data and survey requests by EEC; and
 - EEC would annually report on a variety of data from the program.

The Department is required to make a preliminary report on changes to the operational grant program in January of 2025 and then, by October of 2028, to make recommendations for revisions to the operational grant funding formula to be implemented beginning in FY 2030.

EEC Workforce Pipeline (HWM section 81) – this section directs EEC, in conjunction with relevant partners, to study and make recommendations to improve the early educator workforce pipeline. The report would be due at the end of FY 2025.

Higher Education Working Group (HWM Section 80) – this section, which is similar to line item language included in the Governor’s budget, would create a working group, led by ANF, to assess the feasibility of using surtax revenues to improve public higher education infrastructure in Massachusetts. The working group’s report will be due on March 1st of 2025.

Lottery

Online Lottery (HWM sections 6 through 8; Gov. sections 7 through 9) – these sections authorize the Lottery Commission to offer online and app-based games. The HWM language is very similar to the proposal in

the Administration’s budget. The most notable difference is that, as in prior House proposals, revenues from iLottery would be dedicated to the Early Education and Care Operational Grant Fund created in the HWM bill. Under the Administration’s proposal, all revenue would be dedicated to the General Fund. The HWM language would also require any online lottery platform to allow users to search for brick and mortar lottery agents.

Revenue

Excess Capital Gains (HWM section 90; Governor section 86) – this section allows ANF to use up to \$375 million in FY 2025 excess capital gains collections to support General Fund spending. Without this section, these revenues would be dedicated to the Stabilization Fund. In FY 2025, capital gains revenues are projected to exceed the threshold by \$513 million. The same policy was included in the Governor’s budget.

Disaster Relief & Resiliency Fund & Environmental Justice Fund (HWM section 37 & 92; Gov. sections 31, 32 & 87) – like the Governor, the HWM budget creates two new funds for disaster relief and environmental justice.

- **Disaster Relief & Resiliency Fund** is to be administered by ANF, in consultation with the Massachusetts Emergency Management Agency, and will expend the fund, without appropriation, to provide disaster relief. Unlike under the Administration’s proposal, this fund would not receive 10 percent of above threshold capital gains revenues, but instead receives \$14 million from an FY 2025 consolidated net surplus.
- **Environmental Justice Fund** is to be administered by the Department of Environmental Protection and is intended to enhance the environment, reduce pollution, provide community benefits or support research related to the environmental health of disadvantaged communities. The fund can receive appropriations as well as payments, settlements, judgments or fines paid to the Environmental Division with the Attorney General’s Office.

Gaming Fund Distribution (HWM section 77; Gov. section 88) – both the HWM and Governor’s budget adjust the distribution of Category 1 gaming revenue in FY 2025. While the adjustments are similar they do differ, and in the HWM proposal, \$20.3 million less in gaming revenues is available for the General Fund.

Gaming Fund Distribution

	Standard	Gov. FY 2025	HWM FY 2025
Gaming Local Aid	20.0%	32.0%	30.1%
Transportation Infrastructure	15.0%	20.8%	20.6%
Education Fund	14.0%	19.4%	19.4%
Gaming Economic Development	9.5%	13.2%	13.2%
Local Capital Projects	4.5%	6.1%	6.2%
Community Mitigation	6.5%	3.0%	0.0%
Public Health	5.0%	2.5%	5.0%
MCC	2.0%	2.0%	2.0%
Mass. Tourism Fund	1.0%	1.0%	1.0%
Stabilization Fund	10.0%	0.0%	0.0%

Debt Reduction	10.0%	0.0%	0.0%
Racehorse Development	2.5%	0.0%	2.5%
Total	100.0%	100.0%	100.0%

Paid Family & Medical Leave

PFML Administrative Costs (HWM section 67; Gov. section 78) – this section caps administrative costs for the Department of Family and Medical Leave at 5 percent of the fund balance at the end of the prior year, but prohibits the amount available for administration from decreasing by more than 5 percent in a year. Currently, administrative costs are set at 5 percent of deposits in a given year. The same policy was included in the Governor’s budget.

Other

Emergency Assistance Transitional Escrow (HWM section 91) – this section allows ANF to transfer at least \$175 million from the Transitional Escrow Fund to support emergency assistance family shelter costs in FY 2025. The HWM budget includes \$325 million in the emergency assistance line item. The \$500 million in total emergency assistance funding available, when Transitional Escrow Funds are included, would cover a little more than half of the current estimated obligation for FY 2025.

MCI Concord (HWM sections 65 & 76; Gov. sections 74 & 107) – these sections effectuate the closure of MCI Concord and allow DCAMM to lease MCI Concord property for a term of up to 99 years. The section defines the process by which DCAMM should dispose of the land including through a sales-partnership agreement with the hosting municipality. The same policy was included in the Governor’s budget.

Bail fees (HWM section 71; Gov. section 82) – this section transfers the responsibility to pay the bail fee currently paid for by arrested individuals to the Trial Court, and allows for bail to be set after-hours by remote or electronic hearings. The same policy was included in the Governor’s budget.

Clean Energy Center (HWM section 29; Gov. section 22) – this section amends the board composition of the Clean Energy Center, replacing a mandated position for the Massachusetts Workforce Alliance with a gubernatorial appointment with knowledge of workforce development in the clean energy sector. The same policy was included in the Governor’s budget.

Bottom Line

The HWM Committee has proposed a \$57.98 billion spending plan for FY 2025, a spending level that is less than the Governor’s budget by \$157.6 million (0.3 percent) and greater than the FY 2024 GAA by \$1.9 billion (3.4 percent). While specific spending levels between the House and the administration’s budgets vary, both plans reflect the state’s shifting fiscal situation:

- Line-item spending increases by 3.4 percent over the FY 2024 GAA in the HWM budget, consistent with expected revenue growth of 3.5 percent. While this rate of growth is by no means insubstantial, it is a marked departure from the spending increases of recent years, which exceeded 7 percent.
- The HWM budget relies on \$1.19 billion in new one-time and ongoing revenues to support spending, of which \$1.03 billion are strictly one-time in nature. This level of one-timers is slightly less than what was proposed in the Governor’s budget (\$1.1 billion). While using one-time

resources to support spending during a time of tax revenue volatility is appropriate, it does present policymakers with a challenge in FY 2026 and beyond.

- In FY 2025, the HWM budget prioritizes maintaining recent program expansions; including the C3 Childcare Operational Grants program, Universal School Means, and MassReconnect.

The HWM budget will now move to the floor for debate. In FY 2024, the House added \$129.7 million in spending over the course of three days of debate. Through a combination of 7 consolidated amendments, some form of 773 amendments were adopted, at least 745 of which added new spending. Approximately \$82 million in new spending was added for earmarks, while \$47 million was related to broader, more programmatic increases.

Given the state's constrained revenue picture and the limited availability of new resources to support spending, it would be advisable to limit spending to less than the amount added in FY 2024. Additionally, given the range of investments already included by HWM, it is likely that debate will focus on local priorities and policy proposals.