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MTF Bulletin

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10 Key Questions for the Senate Ways & Means Budget

Today, the Senate Committee on Ways and Means (SWM) released their Fiscal Year (FY) 2025 budget proposal. The \$57.99 billion spending plan includes significant investments in higher education, early education, and mental and behavioral health; as well as notable policy proposals pertaining to early education and healthcare.

MTF's full analysis of the SWM budget proposal for FY 2025 can be found [here](#).

In this supplemental brief, MTF poses ten key questions about the SWM budget; identifying the similarities and differences between the spending plans now put forward by the administration, House, and Senate.

- 1. How does the SWM budget grow spending over FY 2024, and how does it respond to the state's current fiscal position?**

The SWM budget includes \$57.99 billion in total line-item spending, an increase of \$1.9 billion (3.4 percent) over the FY 2024 General Appropriations Act (GAA). Similar to the Governor and House, the Senate's proposal reflects year-over-year spending growth that is in line with expected revenue growth of 3.5 percent. However, budget writers in FY 2025 are tasked with building their budgets using fewer consensus revenues than were available during the FY 2024 budget development process. As a result, each FY 2025 budget proposal has relied upon a combination of one-time and ongoing revenue-generating initiatives to support spending. During a time of fiscal transition for the state, tapping temporary resources to support spending is justifiable; however, MTF supports the Senate's decision to use less than \$1 billion in strictly one-time revenues, a less amount than either the Governor or House.

- 2. What level of one-time resources are used to support spending in the SWM budget?**

The SWM budget relies on \$965 million in temporary resources to support spending in FY 2025, less than either the Governor or the House. The Senate is able to reduce its reliance on one-timers by making the re-distribution of certain gaming revenues permanent and reducing withdrawals from the EEC and SOA trust funds.

The SWM budget is also supported, in part, by \$375 million in excess capital gains revenue. This is equal to the amount used by the Governor and House. However, because the Senate does not amend the distribution of excess capital gains revenue towards the Stabilization and other reserves, after accounting for the transfer to the operating budget, they can support a larger deposit into the Stabilization Fund of \$124.5 million. This approach is supported by MTF because it allows for these resources to be used in support of the operating budget during a time of fiscal transition while still growing the balance of the Rainy Day Fund.

In earlier reports, MTF recommended that the Legislature keep the use of one-time resources to less than the amount proposed by the Governor (\$1.1 billion). SWM's approach accomplishes this goal while still maximizing revenue opportunities during a year of slow tax revenue growth.

3. Does the SWM budget include a proposal to create an online lottery, generating new ongoing revenue for the state budget?

No. The SWM budget does not include a proposal to create an online lottery. The Governor's budget included a \$75 million ongoing revenue assumption related to online lottery, and the House increased that assumption to \$100 million. In contrast, the SWM budget includes an outside policy section that would allow debit cards to be used for lottery sales. This proposal is expected to generate \$25 million in ongoing revenue for the state.

4. Does the Senate divide income surtax funds evenly between education and transportation investments?

No. The SWM budget does not equally divide surtax revenues between education and transportation. Instead, 57 percent (\$735 million) is dedicated towards education investments, while 43 percent (\$565 million) is directed towards transportation. MTF has previously recommended an even split between these two investment areas in order to provide greater structure and certainty for impacted departments, and support the sustainable use of these resources in the operating budget.

5. Does the Senate adopt the proposal to permanently direct \$250 million of income surtax revenue towards the Commonwealth Transportation Fund to support additional capital investments?

Yes. The SWM budget includes the proposal to permanently dedicate \$250 million of income surtax revenues to the Commonwealth Transportation Fund. While the Senate's plan does not include the same outside language as the House specifically allocating these resources towards the MBTA, MassDOT, and future debt service costs; the distribution of them in the SWM budget appears the same. Importantly, 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.

6. Does the Senate adopt the Governor's proposal changes to hospital and payor assessments?

Yes. Like the Governor and House, the SWM budget includes a number of outside policy sections that make significant changes to the structures by which the state assesses hospitals and insurers. The SWM language closely mirrors the House final budget, which aims to simplify the current assessment system, while also generating additional revenue and savings for the state. In FY 2025, the SWM proposal will generate an additional \$57 million in General Fund revenue and reduce General Fund payments to the health care trust funds by approximately \$75 million.

7. Does the SWM budget decouple growth in local aid for cities and towns from expected revenue growth?

Yes. The SWM budget increases funding for Unrestricted General Government Aid (UGGA) by \$38.1 million over FY 2024; level with the Governor's budget and a \$24.5 million increase over the House. At this funding level, direct aid to cities and towns would increase by 3 percent over the prior year, which is greater than expected state tax revenue growth of 2 percent. For the last two fiscal years, the final budget signed into law has included an increase in UGGA funding that is greater than the consensus revenue growth rate.

8. Does the Senate maintain funding for C3 Childcare Operational Grants at \$475 million, and what funding sources are used to support the program?

Yes. The SWM budget funds the C3 Childcare Operational Grants program at \$475 million, level with the FY 2024 GAA, Governor, and House. The program is supported by a combination of General Fund (\$60 million), trust fund (\$265 million), and income surtax (\$150 million) revenues. The SWM budget does not include the House's proposal to direct certain funding streams towards different types of providers. Instead, Senate language prioritizes programs serving high-percentages of children with state subsidies and limits the amount of funding that can go towards providers operating more than ten center-based programs in the state.

9. Does the SWM budget continue to support Student Opportunity Act implementation, moving towards full implementation by FY 2027?

Yes. The SWM budget fully funds the fourth year of Student Opportunity Act implementation, keeping the state on track towards full implementation by FY 2027. While stagnant student enrollment and low inflation have resulted in a smaller year-over-year increase in state aid, the SWM budget – like the House – increases minimum per pupil aid from \$30 to \$104. In combination with updates made to the Chapter 70 aid formula related to low-income student enrollment, this proposal increases state aid for public schools by \$45.2 million over the Governor's budget.

10. Does the Senate adopt the Governor's proposal to dedicate a portion of surtax revenues towards education capital needs?

No. The SWM budget does not dedicate surtax resources towards higher education capital needs, instead prioritizing investments in college affordability and access. The Senate's proposal also excludes an outside policy section, included by the Governor and House, which would create a working group to assess the feasibility of using surtax revenues to improve public higher education infrastructure in Massachusetts. Moving forward, MTF supports the inclusion of this working group in the final budget. Developing a plan to use surtax revenues in support of long-term capital needs can help ensure that these resources are being used sustainability and for both long- and short-term priorities.