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MTF Bulletin

May 24, 2024

FY 2025 Senate Final Budget

The Senate finalized its **\$58 billion** Fiscal Year (FY) 2025 budget this week after adding \$89.6 million in spending over the course of three days of debate.

The Senate took action on 1,100 amendments through a combination of standalone votes and amendment ‘bundles,’ which categorically approve or reject many amendments at once. In total, 475 amendments were adopted, 400 were rejected, and 225 were withdrawn from consideration. This brief summarizes Senate debate action and assesses the newly adopted spending and policy proposals.

FY 2025 Senate Final Spending Summary

	FY 2024 GAA	FY 2025 Governor	FY 2025 House	FY 2025 SWM	Floor Spending	FY 2025 Senate
Line-Item Spending	\$54,558.1	\$56,152.2	\$56,090.4	\$55,990.0	\$89.6	\$56,079.6
Surtax Spending	\$1,000.0	\$1,300.0	\$1,300.0	\$1,300.0	\$0.0	\$1,300.0
Medical Asst. Trust Fund	\$505.0	\$682.2	\$682.2	\$682.2	\$0.0	\$682.2
BHOSTF Trust Fund	\$0.0	\$0.0	\$0.0	\$20.0	\$0.0	\$20.0
Total Line-Item Spending	\$56,063.1	\$58,134.4	\$58,072.6	\$57,992.2	\$89.6	\$58,081.8¹

\$ in millions

The FY 2025 Senate Final budget now includes \$58 billion in total line-item spending, \$9.2 million more than the House budget and \$2.1 billion more than the FY 2024 budget signed by Governor Healey. The Senate Final budget also spends less than the Governor’s original proposal for FY 2025 by \$52.6 million.

New spending in the Senate Final budget is primarily in the areas of Education, Health and Human Services, and Economic Development. The Senate also added 70 policy sections through debate; and notable policy sections were adopted related to preventing home equity theft, addressing antisemitism in public schools, and studying the municipal contribution side of the foundation budget formula.

¹ MTF includes in its total line-item spending the \$63 million deposit into the Commonwealth Transportation Trust, as well as the \$20 million transfer to the Behavioral Health Outreach, Access, and Support Trust Fund. After adjusting for that funding, total line-item spending in the Senate Final budget equals \$57.99 billion.

Senate Debate – Spending Overview

Through the adoption of 475 amendments, the Senate added \$89.6 million in new spending on the floor. This spending level is more than FY 2024 Senate debate spending by \$4.7 million, and less than the House debate spending level of \$95.8 million by \$8.9 million.

Approximately 60 percent (\$53.7 million) in new spending is related to earmarks for specific communities, organizations, or programs; while 40 percent (\$35.9 million) is for programmatic increases or new line-items.

FY 2025 Senate Floor Spending by Category

Category	Earmark Spending	Non-Earmark Spending	Total Category Spend
Energy & Environment	\$5.8	\$0.0	\$5.8
Economic Development	\$12.6	\$4.7	\$17.3
Education	\$6.6	\$18.3	\$24.9
Transportation	\$0.5	\$0.0	\$0.5
Public Safety	\$5.7	\$0.5	\$6.2
Government	\$0.5	\$0.5	\$1.0
Health & Human Services	\$12.7	\$6.9	\$19.6
Other	\$3.0	\$2.2	\$5.2
Judiciary	\$0.1	\$2.8	\$2.9
Local	\$6.2	\$0.0	\$6.2
Totals	\$53.7	\$35.9	\$89.6

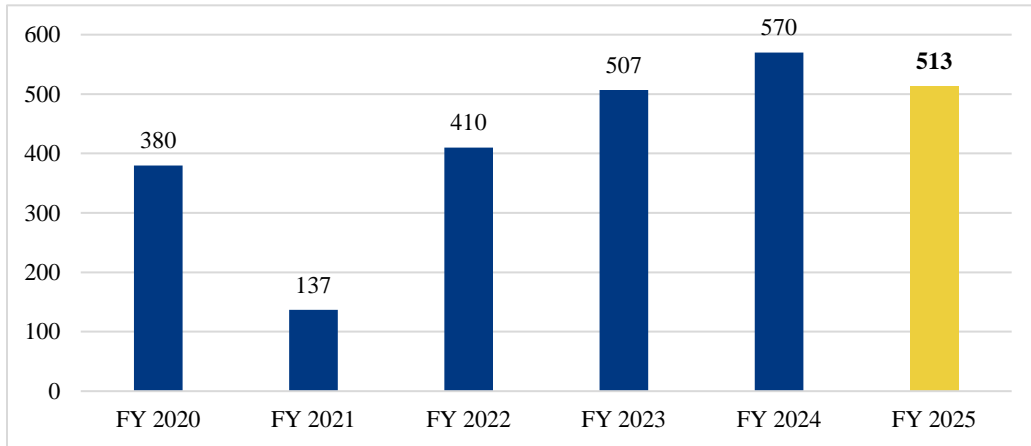
\$ in millions

Earmark Spending

The Senate added 513 earmarks to its budget during debate, comprising \$53.7 million in new spending. The majority of earmarks (443) support local communities, projects, and organizations and represent \$29.9 million in new spending. Approximately 70 earmarks fund larger, statewide programs within existing line-items. For example, the Senate adopted a \$1.2 million earmark directing additional support to municipalities hosting department of correction facilities.

This number of added earmarks is less than the 570 added to the FY 2024 Senate Final budget, and less than the 748 earmarks added to the House budget by 235.

Senate Earmarks Added by Year, FY 2020 – FY 2025



In FY 2025, the median local earmark adopted by the Senate carries a fiscal impact of \$50,000. While individual earmarks carry a modest cost, combined they can make up a sizeable portion of spending. Earmarks provide one-time benefits for projects across the state and can help to ensure that the diverse needs of different districts are reflected in the budget. However, spending on earmarks can also limit the resources available for other uses; an important consideration when revenues are more constrained.

FY 2025 Senate Earmark Spending by Category

Category	Earmark Spending	# of Earmarks
Energy & Environment	\$5.8	49
Economic Development	\$12.6	129
Education	\$6.6	60
Transportation	\$0.5	8
Public Safety	\$5.7	56
Government	\$0.5	4
Health & Human Services	\$12.7	63
Other	\$3.0	29
Judiciary	\$0.1	2
Local	\$6.2	113
Totals	\$53.7	513

\$ in millions

Other Notable Spending

The Senate added \$35.9 million in non-earmark spending, including funds for new line-items and larger programs. Notable programmatic funding increases include:

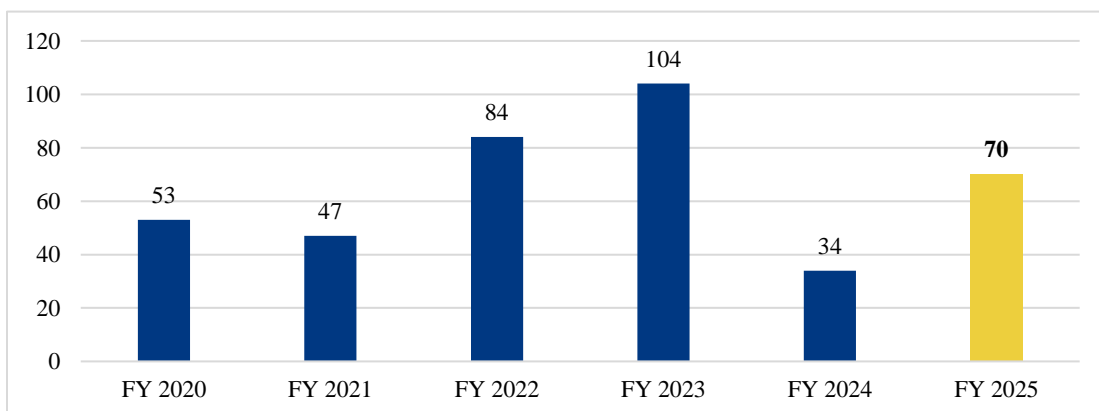
- **\$3.5 million** to increase the clothing allowance for families receiving Transitional Aid to Families with Dependent Children (TAFDC) from \$450 to \$500.

- **\$3.2 million** to increase the minimum aid per pupil amount within the Foundation Budget formula from \$104 to \$110, bringing total funding for Chapter 70 state aid to public schools to \$6.904 billion.
- **\$2.5 million** for the Community Empowerment and Reimbursement Grant program, increasing total funding from \$7.5 million to \$10 million. This program distributes grants to communities across the state that are disproportionately impacted by the criminal justice system with large shares of socially, financially, and economic disadvantaged populations.
- **\$2.5 million** for Rural School Aid, providing a total funding level of \$17.5 million. Rural School Aid provides supplemental support to geographically isolated school districts across the state with low and declining student enrollment.
- **\$2.2 million** to increase reimbursements to cities and towns for veterans’ benefits, bringing total funding to \$70.4 million.
- **\$1.65 million** for community health centers, including an increase in technical assistance to community health centers. Total funding now equals \$5.6 million.
- **\$1 million** to increase funding for Career and Technical Education from \$2.5 to \$3.5 million. This program provides planning and implementation grants to school districts to expand and develop new career and technical education programs.
- **\$600K** for the Massachusetts Downtown Initiative, which provides technical assistance to municipalities to promote compact, walkable downtowns; as well as commercial and residential vitality.
- **\$500K** for the Hunger-Free Campus Initiative, which aims to address food insecurity at two and four-year public institutions of higher education and minority-serving institutions.

Senate Debate – Policy Sections

Over the course of Senate debate, 70 new outside policy sections were added and 6 sections were changed through the adoption of 39 amendments. This is an increase compared to FY 2024, when 34 new policy sections were added to the Senate budget through the adoption of 27 amendments.

Senate Policy Sections Added by Year



Notable outside policy sections include:

- ***Surtax Spending Cap Clarification*** (Amendment 842) – Amends section 2BBBBBB of Chapter 29 of the Massachusetts General Laws (MGL), which defines the annual spending threshold for surtax revenue. This new language states that the annual spending threshold shall be equal to the prior year, less the dedicated transfer to the Commonwealth Transportation Fund of \$250 million, and adjusted by the ten-year rolling growth rate of income subject to the surtax. This language is also included in the House budget.
- ***Home Equity Theft*** (Amendment 820) – Adds 20 new sections to the Senate budget that amend Chapter 60 of the MGL, which currently allows a city or town to foreclose on a person’s home to pay a tax debt and then retain the full value of the estate above the amount of the outstanding debt. The amendment outlines the process by which “excess equity” – defined as any remaining surplus amount above the taxes, interest, fees, and costs reasonably incurred after the final judgement of foreclosure – is returned to the homeowner. The amendment also creates a special commission to study the current law and practice around the collection of delinquent property tax revenue by cities and towns in the Commonwealth.
- ***Reentry Demonstration Initiative Reinvestment Trust Fund*** (Amendment 584) – Establishes a new Reentry Demonstration Project Reinvestment Trust Fund which shall collect any federal reimbursement related to MassHealth services provided to individuals in state prisons, county jails, houses of corrections, or the department of youth services, as allowed under the current section 1115 waiver. The fund will be administered by the Executive Office of Health and Human Services, and shall be used to support the provision of MassHealth services to eligible individuals.
- ***Chapter 70 Task Force*** (Amendment 660) – Creates a task force to make recommendations for updating the formula used to determine local contribution requirements for K-12 school funding. The task force, co-chaired by the Secretary of Education, will examine the current formula and assess ways to improve the fairness and accuracy of determining local school contributions. The task force’s report with recommendations is due by June 1, 2025.
- ***Special Commission on the Implementation of Vocational Education Annexes in Gateway Cities*** (Amendment 755) – Creates a special commission to study the implementation of vocational education annexes in gateway municipalities, including the cost of constructing the annexes at comprehensive high schools, methods to sustainably fund vocational programming at comprehensive high schools, and the estimated costs and current financing streams for potential annex projects. The commission is directed to file a report with recommendations by March 1, 2025.
- ***EARLY ED Reports*** (Amendment 729) – Directs the Department of Early Education and Care, in consultation with the Children’s Investment Fund and the Community Economic Development Assistance Corporation, to file a report on proposed improvements to the Early Education and Out of School Time Capital Fund.

- ***Controlling School Transportation Costs*** (Amendment 835) – Directs the Department of Elementary and Secondary Education – in consultation with the Massachusetts Department of Transportation, the Operational Services Division, and the Executive Office for Administration and Finance – to study the cost implications and feasibility of creating a rate setting process, registry, and purchasing collaborative for public school transportation.
- ***Post-Retiree Task Force*** (Amendment 134) – Creates a new task force to study post-retirement employment of public employees. The task force is directed to evaluate the process, limits, and controls for post-retirement employment of public employees.

Bottom Line

Over the course of three days of debate, the Senate added **\$89.6 million** in new spending and 70 outside policy sections to its budget proposal. The Senate Final budget now totals \$58 billion, \$9.2 million more than the House and \$52.6 million less than the Governor.

With the conclusion of Senate debate, the budget development process will now move to Conference. After the appointment of a Conference Committee, House and Senate negotiators must reconcile all spending and policy difference between their two budget proposals. The goal is to get a final Conference Report to the Governor’s desk by July 1st, the first day of the new fiscal year. However, in FY 2024 and FY 2025, there are a number of factors that may make meeting that deadline more challenging, including:

- **An uncertain fiscal picture as we closeout FY 2024.** Throughout the month of June, administration and legislative budget writers will not only be negotiating a compromise budget for FY 2025, they will also be working to ensure that FY 2024 ends in balance. As MTF has [written](#) previously, there are a number of factors that impact the state’s ability to end the fiscal year in balance, including: tax revenue collections, supplemental spending needs, and the availability of one-time resources. This year, managing the balance of the state budget will be made more complicated by uncertainties regarding income surtax revenues. Any surtax revenues above \$1 billion in FY 2024 must be deducted from the resources available to support general budgeted spending; however, data on surtax collections to date remains limited. Without a clear picture of the resources available in FY 2024, the process to finalize the FY 2025 may be extended.
- **Divergent priorities for spending surtax revenue in FY 2025.** Administration and legislative budget writers agreed to a surtax spending cap of \$1.3 billion for FY 2025; but, the House and Senate have proposed well in excess of \$1.3 billion in surtax-supported initiatives. During the conference committee process, budget negotiators will need to make difficult decisions to keep total surtax spending within the agreed upon cap.
- **Key differences between revenue-generating proposals for FY 2025.** The House and Senate budgets both rely on more than \$1 billion in new one-time and ongoing revenue generating initiatives to support spending in FY 2025. While both spending plans adopt the

same basic framework, there are key differences concerning the creation of an online lottery, the use of debit cards for lottery sales, and the utilization of trust fund resources. Before spending decisions can be negotiated, the House and Senate will need to come to agreement on the revenues and resources available in FY 2025.